

Paris, 13 February 2023

## Rothschild & Co announces that it has received confirmation of Concordia's<sup>1</sup> intention to file a simplified tender offer for its shares

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The Supervisory Board of Rothschild & Co met today and has been informed of the confirmation of Concordia's intention, the largest shareholder of Rothschild & Co (approximately 39% of the share capital), to file a simplified tender offer for approximately 40% of Rothschild & Co's share capital at a price of €48.0 per share (with right to distributions attached) with a view to requesting the implementation of a squeeze out.

Prior to the filing of the offer, Rothschild & Co will propose to its shareholders, at the annual general meeting to be held on 25 May 2023, the payment of an ordinary dividend of €1.4 per share<sup>2</sup>. It also plans to propose, subject to the favourable opinion of Rothschild & Co's Supervisory Board, an exceptional distribution of reserves of €8.0 per share. Such exceptional distribution would be conditional upon Concordia's final decision to file the offer. The announced offer price would be reduced by the amount of these two distributions.

This transaction aiming to create a fully private group is part of Concordia's strategy to hold a majority of Rothschild & Co's share capital and voting rights alone. The Rothschild family and its long-time partner, the Maurel Family, would be joined in the capital by a limited number of family investors who share the same ambitions of supporting Rothschild & Co in the medium and long term.

In the context of this proposed offer, Concordia would act in concert with the family investors mentioned above and a newly incorporated company (Rothschild & Co Partners) which would gather all Rothschild & Co's Partners together and would hold a significant and long-term stake in Rothschild & Co.

Concordia has announced its intention to implement a squeeze out for all the shares not held by Concordia, in the event that the minority shareholders hold no more than 10% of Rothschild & Co's share capital and voting rights at the closing of the offer.

Having been informed of this project and, in accordance with the regulations in force and the recommendations of the French Financial Markets Authority (*Autorité des marchés financiers* – AMF), the Supervisory Board of Rothschild & Co formed in January 2023 an ad hoc committee composed of four of independent members. The Supervisory Board of Rothschild & Co, upon recommendation of the ad hoc committee, also appointed Finexsi as an independent expert with the task of delivering a fairness opinion on the financial terms of the simplified tender offer, including in the event of the implementation of a squeeze out, in accordance with market regulations, and an opinion on the contemplated exceptional distribution of reserves of €8.0 per share. The ad hoc committee is responsible in particular for monitoring the work of the independent expert.

Upon the delivery of the independent expert's report on the financial terms of the offer, the Supervisory Board will meet to issue a reasoned opinion on the proposed tender offer to be filed, in accordance with Article 231-19, 4° of the AMF's General Regulation. The filing of the offer and the draft offer document (*note d'information*) with the AMF would be completed subject to obtaining the required regulatory clearances and the payment of the distributions. It is expected to take place in mid-2023.

Rothschild & Co will keep its shareholders informed of the main developments of this project.

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<sup>1</sup> « Concordia » means the entity Rothschild & Co Concordia SAS, holding of the Rothschild family.

<sup>2</sup> Ordinary dividend which would be paid on 31 May 2023 with an ex-dividend date of 29 May 2023.

Marc-Olivier Laurent, Chairman of the Supervisory Board of Rothschild & Co declared: *“The Supervisory Board considers favourably the proposed offer. It will provide Rothschild & Co with a strong shareholder base to foster its strategic ambition in a private environment. The majority control of Concordia, together with the creation of a company gathering all the Partners of the Group, will provide great support for the successful development of the businesses of the Group.”*

Véronique Weill, Chairwoman of the ad hoc committee commented: *“Based on the preliminary work of the independent expert to date, the ad hoc committee recommended to the Supervisory Board to consider favourably the proposed offer. The contemplated transaction would offer liquidity to the minority shareholders with a significant premium over Rothschild & Co’s share market references. The ad hoc committee and the independent expert will continue their work to analyse the offer to be filed by Concordia with a view for the ad hoc committee to issue its recommendation on the reasoned opinion in due course.”*

**Disclaimer**

*This press release does not constitute an offer to purchase or a solicitation to sell the Rothschild & Co’s securities in any country, including France. There is no certainty that the offer will be filed or opened.*

*In the event that the offer is filed with the AMF (French securities regulator), the documentation relating to the offer, which will be filed by Rothschild & Co Concordia and Rothschild & Co, will be submitted to the AMF, which will assess its compliance with the applicable legal and regulatory provisions.*

*The offer may only be opened once it has been cleared by the AMF.*

*The dissemination, publication or distribution of this press release may be subject to specific regulations or restrictions in certain countries.*

*The offer will not be directed to persons subject to such restrictions, either directly or indirectly, and may not be accepted from any country where the offer would be subject to such restrictions. Accordingly, persons in possession of this press release are required to inform themselves about and to comply with any local restrictions that may apply.*

## Full-year results 2022: strong full-year performance

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- **Business performance**

- **Global Advisory:** continued strong performance with full-year revenue down 4% to €1,837 million compared to our record performance last year (2021: €1,915 million). Profit before tax of €372 million, down 12% (2021: €421 million)
- **Wealth and Asset Management:** very strong full-year with revenue up 19% to €703 million, (2021: €593 million) and profit before tax of €154 million (2021: €117 million), up 32%. Assets under Management (AuM) were down 2% to €101.6 billion (31 December 2021: €103.9 billion) due to negative market performance (€6.7 billion) partially offset by the combination of solid Net New Assets (NNA) of €1.4 billion (€2.9 billion in WAM Europe) and the acquisition of a French IFA (€3.0 billion)
- **Merchant Banking:** record full-year revenue up 2% to €406 million (2021: €398 million), and profit before tax of €273 million (2021: €292 million), as a result of strong investment performance revenue combined with steadily growing recurring revenue, driven by our successful fundraising initiatives in 2022. AuM continues to grow to €22.9 billion, up 25% (31/12/2021: €18.3 billion), of which the Group share was €2.1 billion

- **Revenue:** €2,965 million, up 1% (2021: €2,925 million)
- **Net income - Group share<sup>1</sup>** : €606 million, down 21% (2021: €766 million)
- **Earnings per share (EPS):** €8.38, down 21% (2021: €10.59)
- Foreign exchange translation effects increased revenue by €60 million and Net income – Group share by €5 million
- Ordinary dividend of €1.40 per share, up 22% versus ordinary dividend of 2021 of €1.15
- Exceptional distribution of reserves (conditioned upon the filing of the Concordia offer – as described above) of €8.0 per share

**Alexandre de Rothschild**, Executive Chairman, commented:

*“Despite volatile markets and an uncertain economic environment, the performance in 2022 was strong across all three businesses, after a record year in 2021. I would like to take this opportunity to thank all our colleagues for their hard work and focus during the past year which have resulted in such positive results.*

*Although the outlook is more challenging as the economy is slowing down, we remain confident that our businesses will continue to perform well in 2023.”*

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<sup>1</sup> There were no exceptional items in 2022 and 2021

# 1. Summary Consolidated income statement

The Rothschild & Co Supervisory Board met on 13 February 2023 and reviewed the full-year summary consolidated financial statements<sup>1</sup> for the period from 1 January to 31 December 2022.

<i>(in € million)</i>	Page	2022	2021	Var	Var %
<b>Revenue</b>	<b>5-9</b>	<b>2,965</b>	<b>2,925</b>	<b>40</b>	<b>1%</b>
Staff costs	10	(1,575)	(1,453)	(122)	8%
Administrative expenses	10	(333)	(267)	(66)	25%
Depreciation and amortisation	10	(87)	(73)	(14)	19%
Cost of risk	10	(3)	(1)	(2)	200%
<b>Operating Income</b>		<b>967</b>	<b>1,131</b>	<b>(164)</b>	<b>(15)%</b>
Other income / (expense) (net)	10	(8)	0	(8)	n/a
<b>Profit before tax</b>		<b>959</b>	<b>1,131</b>	<b>(172)</b>	<b>(15)%</b>
Income tax	10	(158)	(170)	12	(7)%
<b>Net income</b>		<b>801</b>	<b>961</b>	<b>(160)</b>	<b>(17)%</b>
Non-controlling interests	11	(195)	(195)	0	-
<b>Net income - Group share</b>		<b>606</b>	<b>766</b>	<b>(160)</b>	<b>(21)%</b>
<b>Earnings per share*</b>		<b>€8.38</b>	<b>€10.59</b>	<b>(€2.21)</b>	<b>(21)%</b>
<b>Return On Tangible Equity (ROTE)</b>		<b>20.7%</b>	<b>32.3%</b>		

\* Diluted EPS is €8.27 (2021: €10.45)

There were no exceptional items in 2022 or 2021.

A presentation of Alternative Performance Measures is shown in Appendix H.

<sup>1</sup> These financial statements are unaudited. The audit procedures by the statutory auditors are ongoing. Figures have been rounded. Rounding differences may exist, including for percentages.

## 2. Business activities

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### 2.1 Global Advisory

Our Global Advisory (GA) business focuses on providing advice in the areas of Strategic Advisory and M&A, and Financing Advisory encompassing Debt Advisory, Restructuring and Equity Markets Solutions, which includes ECM Advisory, Private Capital, Investor Advisory, Investor Marketing and Redburn.

**Revenue for the three months to December 2022 was €433 million**, down 30% compared to the same period last year, which was a record quarter (Q4 2021: €618 million) and down 21% from the previous quarter (Q3 2022: €547 million).

**Revenue for 2022 was €1,837 million**, down 4% compared to our record year in 2021 (€1,915 million), representing our second-best annual performance. For the twelve months to December 2022, we ranked 5<sup>th</sup> globally by financial advisory revenue<sup>1</sup>.

**Profit before tax (PBT) for 2022 was €372 million**, down 12% (2021: €421 million). Total costs were down 2% following a reduction in variable compensation, partially offset by increases in non-personnel costs as a result of the resumption of marketing-related travel and other activity as coronavirus restrictions have lifted, as well as inflationary and foreign exchange effects. The compensation ratio was 65.3% in 2022 (66.8% in 2021) and the PBT margin reduced to 20.2% in 2022, largely due to lower revenue (2021: 22.3%).

Our **M&A** revenue for the full-year 2022 was €1,349 million, down 6% (2021: €1,432 million) driven by strong levels of activity across all our main geography and sector franchises, and across both corporate and financial sponsor clients. **We ranked 1<sup>st</sup> globally by both number of completed and announced transactions for the twelve months to December 2022<sup>2</sup>**, up from 4<sup>th</sup> for both respectively in 2021. 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<sup>2</sup>.

**Financing Advisory** revenue for 2022 was €488 million, up 1% (2021: €483 million), as a result of increased activity in our Private Capital business, particularly around unlisted minority stake investments, which offset lower levels of revenue in ECM Advisory, Debt Advisory and Restructuring. **We ranked 1<sup>st</sup> in Europe and 3<sup>rd</sup> globally by number of completed restructuring transactions for 2022<sup>2</sup>**. During the period, Global Advisory was also active in advising clients on innovative sustainability-linked financing transactions and in raising financing for renewable energy projects.

Global Advisory advised the following clients on selected significant assignments that completed during 2022:

- **Suez** on its recommended tender offer from Veolia (€26 billion, France)
- **Blackstone** on its re-capitalisation of Mileway (€21 billion, UK and Netherlands)
- **Volkswagen** on the IPO of Dr. Ing. h.c. F. Porsche AG on the Frankfurt Stock Exchange (€9.4 billion, Germany)
- **Apollo** on its acquisition of Tenneco (US\$7.1 billion, United States)
- **Saipem** on its financing package including a €2.0 billion rights issue (€5.0 billion, Italy)

For further examples of Global Advisory assignments completed during 2022, please refer to Appendix F.

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<sup>1</sup> Source: Company filings

<sup>2</sup> Source: Refinitiv

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

- **Vantage Towers** on the voluntary takeover offer and strategic partnership between Vodafone and a Consortium led by KKR and Global Infrastructure Partners (€16 billion, Germany and United Kingdom)
- **Republic of Ghana** on its sovereign debt restructuring (adviser to International Bondholders - US\$13 billion, Ghana)
- **A.S.R** on its combination with Aegon's activities in the Netherlands (€4.9 billion, Netherlands)
- **Talen Energy** on its restructuring (adviser to ad Hoc Group of Bondholders - US\$4.8 billion, United States)
- **Atos** on its separation into two publicly listed companies (€2.6 billion, France)

## 2.2 Wealth and Asset Management

*Wealth and Asset Management (WAM) is made up of our Wealth Management businesses in Belgium, France, Germany, Israel, Italy, Luxembourg, Monaco, Spain, Switzerland and the UK, and our Asset Management activity in Europe. We have announced the divestment of our Asset Management business in North America and expect to close the transaction in April 2023.*

Global markets had a sharp downturn in 2022, with both equities and bond markets down double digits, in the worst year since the global financial crisis. Beyond the prolonged pandemic crisis and disrupted supply chains, Russia's invasion of Ukraine in February 2022 kicked off historic policy actions and moves across global markets. The surge in inflation led central banks to increase rates aggressively in an attempt to contain it. Overall, the environment left few safe places for investors and negatively impacted our clients' portfolios. Within this difficult context, the business delivered a strong performance.

**NNA for 2022 for WAM Europe were €2.9 billion**, or 3.0% net new money growth, of which net inflows were €2.5 billion in Wealth Management and €0.4 billion in Asset Management Europe. The deceleration in the second half of the year is due to a small number of clients deleveraging portfolios, mostly in France. Excluding this negative effect, WAM Europe NNA would have stood at €4.0 billion (or 4.3% net new money growth).

Our WAM Europe business continued to see good momentum in expanding and attracting new clients, with positive NNA in all its locations. Over the year, we continued to recruit client advisors across Europe; we opened a new regional office in the UK (Leeds); and our new subsidiary in Israel started operating in August. We acquired a French IFA at the beginning of the year which is now fully consolidated into our Wealth Management business in France.

Our investment management teams have coped relatively well in difficult market conditions and are showing an annual performance for 2022 above their respective benchmarks in most client portfolios and currencies.

AuM for **WAM Europe have declined by 1% since the beginning of the year from €95.0 billion to €94.2 billion** mainly driven by negative market movement and FX effects.

Total AuM **have declined by 2% from €103.9 billion to €101.6 billion** mainly driven by negative market and FX effects as well as outflows in the US. **NNA for 2022 for the division were €1.4 billion** after net outflows of €1.5 billion in Asset Management US. In November 2022, we announced the sale of our Asset Management US business to Great Lakes Advisors, LLC, a subsidiary of Wintrust Financial Corporation. We expect the transaction to complete in April 2023.

The table below presents the progress in AuM:

<i>(in € billion)</i>	Quarter ended			12 months	
	31/12/2022	31/12/2021	30/09/2022	2022	2021
<b>AuM opening</b>	<b>98.6</b>	<b>100.6</b>	<b>99.6</b>	<b>103.9</b>	<b>83.4</b>
<i>of which Wealth Management</i>	72.8	71.8	73.4	73.9	55.8
<i>of which AM Europe</i>	18.4	20.5	18.6	21.1	19.4
<i>of which AM US</i>	7.4	8.3	7.6	8.9	8.2
<b>Acquisition of French IFA (2022) / Banque Pâris Bertrand (2021)</b>	-	<b>0.7</b>	-	<b>3.0</b>	<b>7.1</b>
<b>Net new assets</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>1.4</b>	<b>4.1</b>
<i>of which Wealth Management</i>	(0.3)	(0.7)	0.2	2.5	4.3
<i>of which AM Europe</i>	0.2	0.4	-	0.4	0.8
<i>of which AM US</i>	(0.2)	(0.1)	(0.3)	(1.5)	(1.0)
<b>Market and exchange rate</b>	<b>3.3</b>	<b>3.0</b>	<b>(0.9)</b>	<b>(6.7)</b>	<b>9.3</b>
<b>AuM closing</b>	<b>101.6</b>	<b>103.9</b>	<b>98.6</b>	<b>101.6</b>	<b>103.9</b>
<i>of which Wealth Management</i>	73.9	73.9	72.8	73.9	73.9
<i>of which AM Europe</i>	20.3	21.1	18.4	20.3	21.1
<i>of which AM US</i>	7.4	8.9	7.4	7.4	8.9
<i>% var / AuM opening</i>	3%	3%	(1%)	(2%)	25%

**Revenue for the three months to December 2022 for the division was up 20% to €201 million** (Q4 2021: €168 million).

**Revenue for 2022 was a record high, up 19% to €703 million** (2021: €593 million), of which €679 million was in WAM Europe, up 20% (2021: €565 million). The growth was driven by net interest income (NII) more than doubling to €121 million (+151%) compared to 2021 (€48 million), driven by the benefit of higher interest rates, and growth of the private client lending book (+14%), especially the Lombard lending book. Fees and commissions also increased to €570 million, up 7% (2021: €534 million). Commissions and fees represent 81% of the total revenue.

Excluding AM US, **Profit before tax for WAM Europe in 2022** was up 34% at €157 million (2021: €117 million), representing a PBT margin of 23.1% (2021: 20.7%). The strong level of operating margin in 2022 was mainly driven by the sharp increase in NII, with costs remaining under control. We expect the former to remain a driver in the coming months, as interest rates continue their positive trajectory. However, we might see some softening in lending volumes growth and still expect to invest in the business to support our organic growth (i.e. recruitment, platform enhancements).

We continue to further integrate ESG considerations into our investment framework and day-to-day organisation. In 2022, this work included the deployment of the Group's Sustainability Academy, significant efforts to implement and prepare for the new MIFID ESG regulations, and the publication of additional Responsible Investment disclosures.

## 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 December 2022 was €73 million, down 37%** compared to the same period last year (Q4 2021: €116 million).

**Revenue for 2022 was €406 million, up 2%** (2021: €398 million), driven by strong investment performance revenue, combined with significant year-on-year growth in recurring revenue. This is the highest full year revenue on record for Merchant Banking. Revenue for 2022 benefitted, in particular, from value accretion on certain private equity positions where exit agreements were signed during the year. This led our revenue to surpass the result achieved in 2021, a year which was itself characterised by exceptional investment gains. When compared to the average of the previous three years, revenue was up 64%.

The table below illustrates the progress in revenue.

<i>(in € million)</i>	2022	2021	Var	% Var
Revenue from fund management activity	156.4	116.7	39.7	34%
Revenue from investment activity	249.8	281.6	(31.8)	(11)%
<i>of which carried interest</i>	89.5	99.5	(10.0)	(10)%
<i>of which realised and unrealised investment gains and dividends</i>	160.3	182.1	(21.8)	(12)%
<b>Total revenue</b>	<b>406.2</b>	<b>398.3</b>	<b>7.9</b>	<b>2%</b>
<i>% recurring / total revenue</i>	39%	29%		

The year-on-year revenue growth was the result of two positive effects:

- 34% increase in recurring revenue, which reached €156.4 million, also the highest level ever, in line with the growth trajectory of fee-earning AuM, with multiple new product launches and closings completed in 2022; and
- Significant contribution from investment performance revenue, of €249.8 million (second-highest result after 2021: €281.6 million), mainly driven by:
  - realised gains following successful exits from our corporate private equity portfolio,
  - continued value creation in the corporate private equity and secondaries portfolios, generating unrealised investment gains and carried interest income,
  - unrealised foreign exchange gains, mainly from USD positions; and
  - accrued interest income generated by the Group's private debt positions.

The level of investment performance revenue achieved by our private equity portfolios in 2022 continued to validate our investment algorithm centred around three key industry sectors (Data & Software, Healthcare and Technology-Enabled Business Services) and a portfolio of carefully selected high-quality assets, combining growth prospects and downside protection.

Strong revenue generation in 2022 led to **Profit before tax of €273 million**, which represents the second-best result in the history of Merchant Banking, surpassed only by 2021 (€292 million). The overall PBT margin for 2022 was 67% (2021: 73%).

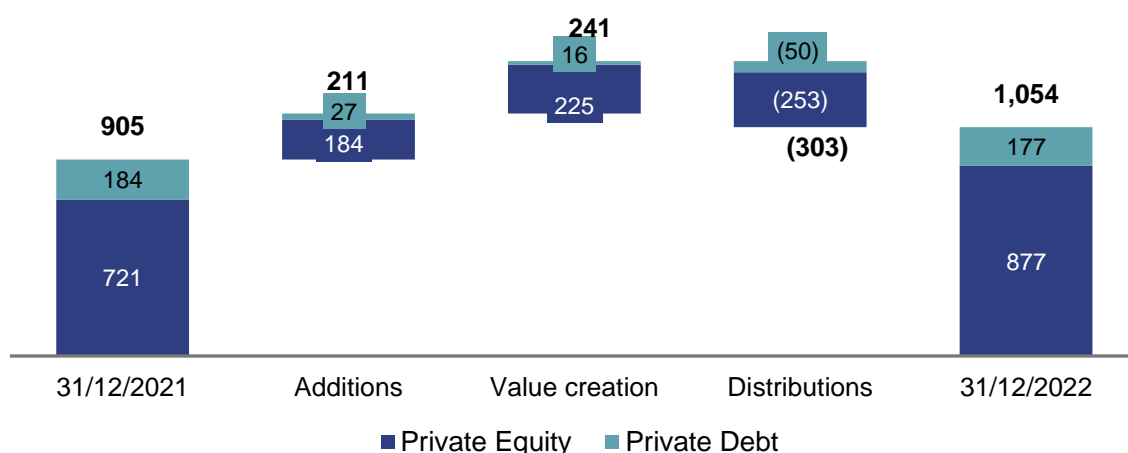
The profitability margin of Merchant Banking's fund management activities (which excludes revenue related to investment performance) improved during the year, reaching 15% (2021: 9%). This increase was mainly driven by higher recurring revenues from new product launches in 2022.



The critical indicator used to measure 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 2022, RORAC was 33%, the highest result achieved by the division, surpassing last year’s level of 29% and remaining well above the division’s stated target (“above 15% over the cycle”).

### **Evolution in net asset value of the Group’s investments (in € million)**

The alignment of interests between the Group and our third-party investors continues to represent a key differentiator for Merchant Banking. As at 31 December 2022, Rothschild & Co’s positions in Merchant Banking assets totalled €1,054 million (of which €877 million was in private equity and €177 million in private debt). During 2022, the Group invested €211 million in Merchant Banking assets (of which €184 million was in private equity and €27 million in private debt) and received distributions of €303 million (of which €253 million was from private equity and €50 million from private debt).



Merchant Banking **AuM as at 31 December 2022 was €22.9 billion, up 25%** (31 December 2021: €18.3 billion), of which Rothschild & Co’s share was €2.1 billion.

For a detailed description of the investment activities and business development of Merchant Banking in 2022, please refer to appendix G.

## **3. Consolidated IFRS financial results**

### **3.1 Revenue<sup>1</sup>**

Revenue for 2022 was €2,965 million (2021: €2,925 million), representing an increase of €40 million or 1%. The translation effect of exchange rate fluctuations increased revenue by €60 million.

<sup>1</sup> Net Banking Income under IFRS

## **3.2 Operating expenses**

### **(a) Staff costs**

Overall Group headcount as at 31 December 2022 was 4,508, up 14% (31/12/2021: 3,941). This increase is to support the development of the three businesses and the strengthening of all support functions.

Staff costs for 2022 were €1,575 million, up 8% or €122 million (2021: €1,453 million) reflecting the increased headcount and much lower deferrals (see below). The translation impact of exchange rate fluctuations resulted in an increase in staff costs of €45 million.

The adjusted compensation ratio, as defined in Appendix H on Alternative Performance Measures, was 63.8% as at 31 December 2022 (31/12/2021: 60.2%).

The accounting effect of deferred bonus compensation plans is included in the statutory accounts. In 2021, this resulted in a net credit of €161 million. In 2022, it represented a net credit of €26 million. The compensation ratio, if adjusted for the deferred bonus effect, would be 64.7% (31/12/2021: 66.3%).

### **(b) Administrative expenses**

Administrative expenses for 2022 were €333 million (2021: €267 million), an increase of €66 million as a result of the headcount increase and related costs (recruitment, IT and market data), the resumption of travel and entertainment as coronavirus restrictions have lifted, as well as inflationary and foreign exchange effects. The translation impact of exchange rate fluctuations resulted in an increase in administrative expenses of €7 million.

### **(c) Depreciation and amortisation**

Depreciation and amortisation for 2022 were €87 million (2021: €73 million), due to an increase in depreciation expense on IT equipment and software alongside amortisation of intangible assets following WAM acquisitions. The translation impact of exchange rate fluctuations resulted in an increase on depreciation and amortisation of €2 million.

### **(d) Cost of risk**

Cost of risk for 2022 was a charge of €3 million (2021: charge of €1 million) reflecting mainly provisions on GA receivables.

## **3.3 Other income / (expenses)**

Other income and expenses for 2022 were a charge of €8 million (2021: nil) due to value declines on legacy assets.

## **3.4 Income tax**

The income tax charge for 2022 was €158 million (2021: €170 million) comprising a current tax charge of €165 million and a deferred tax credit of €7 million, giving an effective tax rate of 16.5% (2021: 15%).

### 3.5 Non-controlling interests

The charge for non-controlling interests for 2022 was €195 million (2021: €195 million). This mainly comprises profit share (*préciput*) payable to French partners and interest on perpetual subordinated debt.

## 4. Financial structure

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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 2022 of €3.56 billion (31/12/2021: €3.13 billion).

The Common Equity Tier 1 (CET 1) ratio was 22.3%<sup>1</sup> as at 31 December 2022, higher than prior year (31/12/2021: 21.3%). The CET 1 capital is calculated in accordance with applicable CRR/CRD rules. The solvency ratios are presented including current profits<sup>2</sup>, net of dividends, for the current financial year, unless specified otherwise.

	31/12/2022	31/12/2021	Full Basel 3 minimum with CBR (Combined Buffer Requirements)
Common Equity Tier 1 ratio (CET 1)	22.3%	21.3%	7.3%
Global solvency ratio	22.3%	21.3%	10.8%

High levels of liquidity are maintained with cash and treasury assets accounting for 51% of the total assets of €17.4 billion (31/12/2021: 58%). Lending remains conservatively funded by customer deposits with a loan to deposit ratio of 48% as at 31/12/2022 (31/12/2021: 38%).

Cash generation was strong with operating cash flow<sup>3</sup> (OCF) of €410 million (2021: €875 million). The decrease compared to 2021 is mainly due to much higher bonus payments in 2022 in respect of the record results of 2021 and the decrease in net income in 2022. 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 €318 million (2021: €807 million).

Net book value per share was €49.73 (31/12/2021: €43.31) and net tangible book value per share was €43.21 (31/12/2021: €37.93).

## 5. Capital management and dividend

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### 5.1 Dividend

Rothschild & Co will propose to the Annual General Meeting on 25 May 2023, the payment of a dividend of €1.40 per share. It represents an increase of 22%. The dividend would be paid on 31 May 2023 with an ex-dividend date on 29 May 2023.

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

<sup>2</sup> Subject to the provisions of article 26.2 of Regulation (EU) No 575/2013

<sup>3</sup> Alternative Performance Measure, please refer to Appendix H

Rothschild & Co plans to propose to its shareholders, subject to the favourable opinion of Rothschild & Co Supervisory Board, an exceptional distribution of reserves of €8.0 per share, which will be conditional upon the filing of the proposed simplified tender offer from Concordia, as described above).

## **5.2 Share buyback program**

Rothschild & Co launched on 28 February 2022 a share buyback programme for a maximum amount of €70 million for a period ending on 18 November 2022 following the approval received from the ACPR. Under this programme, 1,522,560 shares were purchased for a total amount of approximately €52 million. As previously announced, 1% of the purchased shares (i.e. 777,325 shares) have been allocated to meet requirements under the equity schemes and share-based remuneration plans of Rothschild & Co. The remainder of the purchased shares (i.e. 745,235 shares) were cancelled on 28 November 2022.

## **6. Update on activities connected to Russia**

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Overall, the direct impact of the on-going conflict in Ukraine on the Group is small as there is limited exposure in terms of number of clients, assets under management, revenue, lending book or collateral held. The operations of our Russian office have been suspended.

The Group has taken steps to comply with the expanding sanctions regulations arising from this conflict and senior management continue to monitor developments in this area.

In addition, the Group's thorough onboarding procedures for its mandates and clients consider the heightened risks associated with acting for clients with a Russia exposure and provide for appropriate senior management involvement in these situations.

## **7. Corporate Sustainability**

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The Group continues to pursue its long-term ambition to use its influence and expertise to support the transition to sustainability of the global economy. A common set of strategic ESG priorities provides our Group with a long-term roadmap for integration of sustainability considerations across the Group's business model.

In 2022, the Group's investment businesses adopted a new Responsible Investment roadmap with a focus on climate action and inclusive growth, supporting business lines' strategies and contributing to the Group's long-term sustainability ambition. Global Advisory business continued to take a leading advisory role on transactions relating to innovative energy and climate transition technology and energy management.

We remain focused on group-wide commitments to ensure a diverse and inclusive people culture and a balanced working environment, and on our commitment to reduce operational GHG emissions by 30% between 2018 and 2030 on a trajectory aligned with the goals of the Paris Agreement.

## 8. Outlook

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In **Global Advisory**, levels of activity in 2022 remained strong following a record year in 2021. However, macro-economic headwinds have impacted deal making and therefore announced transaction levels reduced towards the end of 2022. We expect a weaker start to 2023 compared to the levels of completion activity we saw in 2022.

In **Wealth and Asset Management**, outlook remains positive for new assets. We expect interest rates to continue to rise in 2023. However, we anticipate market volatility remaining high as markets digest lower growth, higher inflation and continuing geopolitical uncertainty. We continue to invest in the growth of the business in all locations and in the improvement of our operational platform for the long term. As a result, the exceptional profit growth seen in 2022 is unlikely to be repeated in 2023.

In **Merchant Banking**, we expect to continue to grow our recurring revenue in line with our fundraising activities and our capital deployment plans for 2023. Additionally, we expect our investments to continue to fulfil their value creation potential in future quarters. However, we do anticipate a slowdown in investment performance revenue compared to the last two years, which were characterised by exceptional levels of value creation.

Subject to external events, we expect our core businesses to continue to perform well during 2023, albeit below levels of 2022. The clear long-term strategies of each business give us confidence for the future, but 2023 will be a more challenging year given the macroeconomic and geopolitical environment.

### Financial calendar:

- 9 May 2023: First quarter 2023
- 25 May 2023: AGM
- 3 August 2023: Half-year result 2023

#### For further information:

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### About Rothschild & Co

Rothschild & Co is a 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.4,500 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 €154,059,554. Paris trade and companies registry number 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

## A. Summary consolidated balance sheet

<i>(in € billion)</i>	31/12/2022	31/12/2021	Var
Cash and amounts due from central banks	2.5	6.0	(3.5)
Loans and advances to banks	1.9	2.1	(0.2)
Loans and advances to customers	5.0	4.4	0.6
<i>of which private client lending</i>	4.6	4.0	0.6
Debt and equity securities	5.8	3.2	2.6
Other assets	2.2	2.0	0.2
<b>Total assets</b>	<b>17.4</b>	<b>17.7</b>	<b>(0.3)</b>
Due to customers	10.4	11.7	(1.3)
Other liabilities	2.9	2.4	0.5
Shareholders' equity - Group share	3.6	3.1	0.5
Non-controlling interests	0.5	0.5	0.0
<b>Total capital and liabilities</b>	<b>17.4</b>	<b>17.7</b>	<b>(0.3)</b>

The foreign exchange translation effect between 31 December 2021 and 31 December 2022 had no significant impact.

## B. Exceptional income and expenses

There were no exceptional items in 2022 or 2021.

## C. Performance by business

(in € million)	GA	WAM	MB	Total businesses	Corporate centre	IFRS reconciliation <sup>1</sup>	2022
<b>Revenue</b>	<b>1,837</b>	<b>703</b>	<b>406</b>	<b>2,946</b>	<b>19</b>	-	<b>2,965</b>
Operating expenses	(1,465)	(549)	(133)	(2,147)	(61)	213	(1,995)
Cost of risk	-	-	-	-	-	(3)	(3)
<b>Operating income</b>	<b>372</b>	<b>154</b>	<b>273</b>	<b>799</b>	<b>(42)</b>	<b>210</b>	<b>967</b>
Other income / (expense)	-	-	-	-	-	(8)	(8)
<b>Profit before tax</b>	<b>372</b>	<b>154</b>	<b>273</b>	<b>799</b>	<b>(42)</b>	<b>202</b>	<b>959</b>
Operating margin %	20%	22%	67%	27%			32%

(in € million)	GA	WAM	MB	Total businesses	Corporate centre	IFRS reconciliation <sup>1</sup>	2021
<b>Revenue</b>	<b>1,915</b>	<b>593</b>	<b>398</b>	<b>2,906</b>	<b>14</b>	<b>5</b>	<b>2,925</b>
Operating expenses	(1,494)	(479)	(106)	(2,079)	(56)	343	(1,792)
Cost of risk	-	3	-	3	-	(5)	(2)
<b>Operating income</b>	<b>421</b>	<b>117</b>	<b>292</b>	<b>830</b>	<b>(42)</b>	<b>343</b>	<b>1,131</b>
Other income / (expense)	-	-	-	-	-	-	-
<b>Profit before tax</b>	<b>421</b>	<b>117</b>	<b>292</b>	<b>830</b>	<b>(42)</b>	<b>343</b>	<b>1,131</b>
Operating margin %	22%	20%	73%	29%			39%

<sup>1</sup> 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; adding back non-operating items and administrative expenses excluded from the management accounts; and reallocating impairments and certain operating income and expenses for presentational purposes.

## D. FX rates

P&L				Balance sheet			
Rates	2022	2021	Var	Rates	31/12/2022	31/12/2021	Var
€ / GBP	0.8553	0.8614	(1)%	€ / GBP	0.8869	0.8390	6%
€ / CHF	1.0012	1.0800	(7)%	€ / CHF	0.9880	1.0364	(5)%
€ / USD	1.0515	1.1762	(11)%	€ / USD	1.0683	1.1350	(6)%

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

## E. Quarterly progression of revenue

<i>(in € million)</i>		2022	2021	Var
Global Advisory	1 <sup>st</sup> quarter	413.5	394.9	5%
	2 <sup>nd</sup> quarter	443.1	438.5	1%
	3 <sup>rd</sup> quarter	547.3	464.0	18%
	4 <sup>th</sup> quarter	<b>433.2</b>	<b>617.6</b>	<b>(30)%</b>
	<b>Total</b>	<b>1,837.1</b>	<b>1,915.0</b>	<b>(4)%</b>
Wealth & Asset Management	1 <sup>st</sup> quarter	170.1	134.3	27%
	2 <sup>nd</sup> quarter	167.3	139.9	20%
	3 <sup>rd</sup> quarter	164.3	151.3	9%
	4 <sup>th</sup> quarter	<b>200.8</b>	<b>167.5</b>	<b>20%</b>
	<b>Total</b>	<b>702.5</b>	<b>593.0</b>	<b>18%</b>
Merchant Banking	1 <sup>st</sup> quarter	95.5	103.4	(8)%
	2 <sup>nd</sup> quarter	92.4	131.3	(30)%
	3 <sup>rd</sup> quarter	145.6	47.4	207%
	4 <sup>th</sup> quarter	<b>72.7</b>	<b>116.2</b>	<b>(37)%</b>
	<b>Total</b>	<b>406.2</b>	<b>398.3</b>	<b>2%</b>
Other business and corporate centre	1 <sup>st</sup> quarter	4.9	5.0	(2)%
	2 <sup>nd</sup> quarter	3.4	3.1	10%
	3 <sup>rd</sup> quarter	10.2	4.3	137%
	4 <sup>th</sup> quarter	<b>1.0</b>	<b>1.6</b>	<b>(38)%</b>
	<b>Total</b>	<b>19.5</b>	<b>14.0</b>	<b>39%</b>
IFRS reconciliation	1 <sup>st</sup> quarter	(8.7)	(1.4)	521%
	2 <sup>nd</sup> quarter	(6.9)	0.9	(867)%
	3 <sup>rd</sup> quarter	(3.7)	(0.3)	1,133%
	4 <sup>th</sup> quarter	<b>19.4</b>	<b>5.5</b>	<b>253%</b>
	<b>Total</b>	<b>0.1</b>	<b>4.7</b>	<b>(98)%</b>
<b>Total Group Revenue</b>	1 <sup>st</sup> quarter	<b>675.3</b>	<b>636.2</b>	<b>6%</b>
	2 <sup>nd</sup> quarter	<b>699.3</b>	<b>713.7</b>	<b>(2)%</b>
	3 <sup>rd</sup> quarter	<b>863.7</b>	<b>666.7</b>	<b>30%</b>
	4 <sup>th</sup> quarter	<b>727.1</b>	<b>908.4</b>	<b>(20)%</b>
	<b>Total</b>	<b>2,965.4</b>	<b>2,925.0</b>	<b>1%</b>



## F. Global Advisory track record

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Global Advisory advised the following clients on notable transactions completed in 2022.

### F.1. M&A and strategic advisory

- **Suez**, a provider of water, waste, and resource management solutions, on its recommended tender offer from Veolia (€26 billion, France)
- **Blackstone**, on its re-capitalisation of Mileway, a provider of last mile logistics real estate assets (€21 billion, United Kingdom and Netherlands)
- **PGNiG**, the leading Polish oil and gas company, on its merger with PKN Orlen (€18 billion, Poland)
- **Macquarie Infrastructure and Real Assets**, on its acquisition of Autostrade per l'Italia, concessionaries for the construction and management of toll roads, as part of a consortium (€9.6 billion, Australia and Italy)
- **Covéa**, a provider of home, motor and commercial insurance, on its acquisition of PartnerRe (US\$9 billion, France and Bermuda)
- **Fortune Brands Home & Security**, a home and security products company, on its separation into two new publicly traded companies, Fortune Brands Innovations and MasterBrand (US\$7.6 billion, United States)
- **FL Entertainment**, a leader in content production and online sports betting, on its business combination with Pegasus Entrepreneurs and €550 million equity raising (€7.2 billion, France and Netherlands)
- **Apollo**, on its acquisition of Tenneco, a designer, manufacturer and marketer of automotive products (US\$7.1 billion, United States)
- **Bridgepoint and Element Materials Technology**, a global provider of testing, inspection and certification services, on the sale of Element to Temasek (US\$7 billion, United Kingdom and Singapore)
- **Meggitt**, a global aerospace and defence company, on its recommended cash offer from Parker Hannifin (£6.3 billion, United Kingdom and United States)
- **HELLA Family Pool**, a manufacturer of lighting, electronic and system components, on its sale to Faurecia (€6.7 billion, Germany and France)
- **CC Neuberger Principal Holdings II**, on its merger with Getty Images, a global visual media company (US\$4.8 billion, United States)
- **Veoneer**, a manufacturer of automotive safety technology, on its sale to Qualcomm (US\$4.5 billion, Sweden and United States)
- **Falck Renewables**, a producer and supplier of clean energy, on its disposal to J.P. Morgan Asset Management (€3.6 billion, Italy)
- **Enagás**, an energy and transmission system operator, on its disposal of a 80% stake in GNL Quintero to an EIG Partners led consortium (US\$2 billion, Spain, United States and Chile)
- **Astorg and Goldman Sachs**, on the sale of HRA Pharma, a consumer healthcare company, to Perrigo (€1.8 billion, United States and France)

### F.2. Financing Advisory

- **Uniper**, an energy generation and trading company, on its nationalisation by the Federal Republic of Germany (€30 billion, Germany)
- **Ukraine Ministry of Finance** on its Eurobonds Consent Solicitation and official sector debt rescheduling (US\$21.1 billion, Ukraine)
- **Volkswagen**, one of the world's leading automobile manufacturers, on the IPO of Dr. Ing. h.c. F. Porsche AG on the Frankfurt Stock Exchange (€9.4 billion, Germany)
- **Nordic Aviation**, a regional aircraft lessor, on its Chapter 11 restructuring (US\$6.4 billion, Republic of Ireland)
- **Saipem**, a multinational oilfield services company, on its financing package including a €2.0 billion rights issue (€5.0 billion, Italy)
- **Public Investment Fund**, the Saudi Arabian Sovereign Wealth Fund, on its triple tranche 5Y/10Y/100Y inaugural green bond offering (US\$3 billion, Saudi Arabia)
- **John Wood**, a provider of project, engineering, and technical services, on its debt portfolio and multiple lender consents (US\$2.6 billion, United Kingdom)

- **Global Infrastructure Partners** on its minority stake sale of 25.7% in Freeport LNG, an exporter of liquified natural gas, to JERA (US\$2.5 billion, United States and Japan)
- **Insight Venture Partners** on its strategic investment in Precisely, a leading data integrity and infrastructure software company (US\$2.2billion, United States)
- **P3 Logistics Parks**, an investor, manager and developer of European warehouse properties, on its debut green bonds (€1.0 billion and €750 million respectively, Czech Republic)
- **Public Investment Fund and Americana Restaurants**, an operator of food products throughout the Middle East and North Africa, on the concurrent dual listing of Americana Restaurants on ADX and Tadawul (US\$1.8 billion, Saudi Arabia and United Arab Emirates)
- **HORNBAACH**, a Do-It-Yourself retail chain, on its public delisting tender offer to all shareholders of HORNBAACH Baumarkt (€1.5 billion, Germany)
- **Delivery Hero**, a multinational online food delivery service, on its US TLB and RCF financing (€1.4 billion, Germany)
- **Pierre & Vacances-Center Parcs**, a tourism services provider, on its restructuring (€1.2billion, France)
- **Sanofi**, a global healthcare company, on its partial spin-off of EUROAPI (€1.2 billion, France)
- **Moto**, a motorway services operator, on its social and environmental-linked investment grade refinancing (£835 million, United Kingdom)

## G. Investment activities and business development of Merchant Banking in 2022

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### G.1. Corporate Private Equity

- Five Arrows Principal Investments III (**FAPI III**), our 3<sup>rd</sup> generation European mid-market private equity fund, closed its investment period at the start of 2022, after completing its last investment in Intescia, a leading B2B market watch and tender data provider located in France.
- Its successor fund, Five Arrows Principal Investments IV (**FAPI IV**), is completing its fundraising having secured capital commitments of c. €2.1 billion as of the end of December 2022. Since year-end we have now closed on over €2.4 billion, securing additional capital commitments from new investors. The fund also completed its first two investments in 2022:
  - Mintec, a global agricultural and commodity pricing data & analytics platform, serving the food industry; and
  - GEDH, a leading European private higher education platform offering accredited bachelor and masters diplomas focused on digital communication, creative arts, coding and journalism.
- In May 2022 Five Arrows Growth Capital I (**FAGC I**), our 1<sup>st</sup> generation European lower mid-market private equity fund, and Five Arrows Capital Partners I (**FACP I**), our US lower mid-market private equity fund, jointly completed an investment in Kpler, a leading provider of technology-led data, analytics and market insights focused on the energy markets. This transaction was **FAGC I**'s 4<sup>th</sup> investment and followed the acquisition of Padoa, a SaaS software business for occupational health centres in France, which closed in January 2022.
- In May 2022 **FAPI II** and **FACP I** sold their respective holdings in RLDatix, a leading healthcare governance, risk and compliance software provider, to a continuation fund managed by our Corporate Private Equity team.
- **FAPI II** completed the exit of Hygie31, a multi-channel group purchasing organisation for pharmacy and medical equipment products, in September 2022. In October 2022, **FAPI II** signed the exit of A2Mac1, a benchmarking data company for the automotive industry, which closed in February 2023.
- Five Arrows Principal Investments I Continuation Fund (**FAPI I CF**) signed the exit of The Binding Site, a specialist diagnostics business. The transaction closed in early January 2023.
- Five Arrows Long Term (**FALT**), our 1<sup>st</sup> generation private equity fund with a long-term investment horizon, secured capital commitments of c. €770 million as of the end of December. During Q1 2023 FALT completed additional closings taking the total capital commitments to c. €1.1 billion.

### G.2. Multi Strategies

- Five Arrows Secondary Opportunities V (**FASO V**) completed 9 investments in 2022. The fund has now committed 107% of its capital across 26 transactions in Europe and the US, investing in more than 130 underlying portfolio companies.
- Five Arrows Minority Investments (**FAMI**) completed two new investments and distributed proceeds from the disposals of Mirion and HRA.
- Five Arrows Private Equity Programme II (**FAPEP II**), the 2<sup>nd</sup> generation global multi-manager private equity platform, closed its investment period. The fund has committed 119% of its capital in 53 transactions.
- Five Arrows Global Technology I (**FAGT I**), the 1<sup>st</sup> generation technology-focused multi-manager fund investing in venture capital, growth capital and buyout funds, is currently fundraising and has secured US\$257 million of capital commitments to date. FAGT has already committed capital to 19 underlying funds and one co-investment.
- Five Arrows Sustainable Investments (**FASI**), our first impact fund, is currently fundraising and has secured c. €167 million of capital commitments.

### G.3. Direct Lending

- Five Arrows Credit Solutions (**FACS**), our 1<sup>st</sup> generation direct lending fund, successfully completed the final exits from its investment portfolio and is now fully realised.
- Five Arrows Direct Lending (**FADL**), our 2<sup>nd</sup> generation direct lending fund, successfully exited its positions in Sandcastle, Dominique Dutscher and Pirum, whilst deploying additional capital to support the growth plans of several of its existing portfolio companies.
- Five Arrows Debt Partners III (**FADP III**), our 3<sup>rd</sup> generation direct lending fund, completed 11 new investments, as a result of which it has committed c. 90% of its capital. Transactions completed in 2022 included:
  - a PIK note for OGF, the leading funeral services provider in France;
  - a preferred equity investment in Precisely, a leading global provider of data integrity software solutions;
  - a financing package for Cornwall Insight, a leading UK provider of data, insight and consulting services, focused on the energy transition market;
  - a unitranche financing package for Akquinet, a German provider of integrated IT solutions and services; and
  - a unitranche financing package for Résonance Imagerie, a French provider of radiology and image diagnostics services.

### G.4. Credit Management

The Credit Management business, investing in senior secured loans, high yield bonds and structured credit, was active both in business development and investing:

- Five Arrows Global Loan Investments II (**GLI II**), the 2<sup>nd</sup> generation vehicle predominantly investing in equity tranches of CLOs managed by Credit Management, held its 1<sup>st</sup> closing in May 2022, securing c. €115 million of capital commitments;
- In the US, Credit Management issued one new CLO vehicle (Ocean Trails XII), launched the warehouse for a second one (Ocean Trails XIV), which will be issued in 2023, and is completing the liquidation of Ocean Trails VI, which was called in Q1 2022; and
- In Europe, Credit Management issued one new CLO vehicle (Contego X) and started the liquidation of Contego II, which was called in Q4 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	<p>Ratio between adjusted staff costs divided by consolidated Revenue of Rothschild &amp; Co excluding MB investment performance revenue (carried interest and investment gains).</p> <p>Adjusted staff costs represent:</p> <ol style="list-style-type: none"> <li>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),</li> <li>to which must be added the amount of profit share paid to the French partners (<i>Associés gérants</i>),</li> <li>from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS,</li> </ol> <p>- <b>which gives total staff costs in calculating the basic compensation ratio</b></p> <ol style="list-style-type: none"> <li>the amount of adjusted staff costs and revenue are restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next one,</li> </ol> <p>- <b>which gives the adjusted staff costs for compensation ratio.</b></p>	<p>To measure the proportion of revenue granted to all employees</p> <p>Key indicator for competitor listed investment banks</p> <p>Rothschild &amp; Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies</p>	Please refer: in the Press release to § 3.2 Operating expenses / Staff costs and in the Investor presentation to slide 38
Businesses' PBT margin	Each business PBT margin is calculated by dividing Profit before tax by Revenue, business by business.	To measure business' profitability	Please refer in the Press release to to § 2
Return on Tangible Equity (ROTE) excluding exceptionals items	<p>Ratio between Net income - Group share excluding exceptional items and average tangible equity Group share over the period.</p> <p>Tangible equity corresponds to total equity Group share less intangible assets (net of tax) and goodwill.</p> <p>Average tangible equity over the period equal to the average between tangible equity as at 31 December 2021 and 31 December 2022.</p>	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 52
Return on Risk Adjusted Capital (RORAC)	<p>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.</p> <p>The estimated amount of capital and debt which management believes would be reasonable to fund the Group's investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this risk-adjusted capital (RAC) amounts to c.70% of the Group's investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures.</p> <p>To calculate the RORAC, Merchant Banking Profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (i.e. 30% of the Group's investments NAV), divided by the RAC.</p> <p>Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.</p>	To measure the performance of the Merchant Banking business	In the Investor presentation release, please refer to slide 52
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 41