

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013***RHJ International announces completion of BHF acquisition – A strategically important and transformational development for the Group***

Brussels, 27 March 2014 – RHJ International (the “Company” or “RHJI”) today issued its results for the year ended 31 December 2013.

Key highlights**1. BHF acquisition successfully completed on 26 March 2014**

- 100% of BHF acquired for a preliminary purchase price of €340 million, which is subject to post-closing adjustments – 91% stake acquired by Kleinwort Benson Group (“KBG”) for a cash consideration of €309.4 million. 9% acquired directly by RHJI for €30.6 million equity consideration issued at par¹.
- RHJI has contributed €143.6 million of cash and retains a 65.78% stake in KBG, based on a preliminary valuation of KBG pre-capital increase of €194 million. Including the 9% stake acquired directly, RHJI has an effective interest of 68.9% in BHF.
- Acquisition transformational – Pro forma KPIs at 31 December 2013: €51 billion Assets under Management (“AuM”); financial services revenues of approximately €300 million; IFRS net asset value of €774 million² and a combined Basel III Tier 1 ratio of 16.3%.
- Initial analysis indicates potential cost synergy opportunities estimated to be in excess of €20 million through the combination of wealth management back office and IT functions, with additional revenue synergy opportunities currently being validated.
- Coupled with the attractive valuation at which the transaction has been executed, these synergies underline the earnings and value accretion of this combination.

2. Results for the year to 31 December 2013

- **Kleinwort Benson Wealth Management (“Wealth Management”)**³ - 14% growth in AuM to £5.9 billion (€7.1 billion). Segment loss of £11.7 million (€13.8 million). Balance sheet strong with a tier 1 capital ratio of 19.8%.
- **Kleinwort Benson Investors (“KBI”)** – AuM 49% higher at €5.4 billion. Segment profit of €2.5 million over eight times higher than 2012.
- **Holding Company costs** across RHJI and Kleinwort Benson Holdings reduced by 40% to €30.6 million (2012: €51.0 million).
- **Strategic transformation** into a focused financial services company complete – divestments in 2013 include Shaklee, SigmaXYZ and the spin-off of the merchant banking business.
- **Consolidated loss across the Group** reduced by 21% to €66.4 million (2012: €84.4 million). Within this, losses related to non-core and discontinued operations reduced from €41.0 million to €26.3 million, with the core operating segment loss across the Financial Services and Holding segments 8% lower at €40.1 million (2012: €43.4 million).

¹ Par value of €5.56 per share calculated as issued, paid up capital of €475.9 million, divided by 85.5 million shares in issue.

² Based on 100% of BHF net asset value (€494m) and pre-capital increase net asset value of KBG of €280m at 28 February 2014.

³ Kleinwort Benson Wealth Management refers to KBB/KBCIH: the aggregation of Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holdings.

Leonhard Fischer, Chief Executive Officer of RHJ International, commented:

"I am delighted that we have been able to complete the transformational acquisition of BHF and would like to thank our staff, clients, shareholders and other stakeholders for their patience and support during the long drawn out process since we first announced this strategically important transaction.

In 2013 the performance across our financial services businesses was mixed, with our asset management operations at Kleinwort Benson Investors posting significant growth in assets under management and profits, while our wealth management operations continued to generate losses due to the challenging economic environment and investments that have been made in growth initiatives. Delays associated with the BHF process also had a knock-on effect on our ability to achieve our targeted run rate of holding costs.

The combination of Kleinwort Benson and BHF, with its robust capital position and low risk balance sheet, provides us with a solid foundation to capture the strong growth that is expected in the German and UK wealth management markets, with the combination of our highly-complementary asset management operations also providing opportunities for revenue growth. Combined with the ongoing management of our cost base and the synergy savings that we expect to achieve across our wealth management operations, we are well-placed to drive long-term profitable growth and shareholder value creation.

An analyst and investor call will be held today at 10:00 am (New York) / 2:00 pm (London) / 3:00 pm (Brussels, Frankfurt). To take part in the call, please use one of the dial-in numbers provided below, or log on to RHJI's corporate website to listen to the live audio webcast ([REDACTED]).

Conference Call Details

Date : Thursday 27 March 2014

Time : 10:00 am (New York) / 2:00 pm (London) / 3:00 pm (Brussels, Frankfurt)

Conference ID for dial-in numbers below : [REDACTED]

National free phone – United Kingdom

National free phone – USA

National free phone – Japan

National free phone – Belgium

National free phone – Switzerland

National free phone – Germany

National free phone – France

Local - International

Please connect 5 to 10 minutes before the scheduled start time to register.

The call will be held in English. After the conference, you will be able to listen to an archived audio file by visiting RHJI's corporate website, [REDACTED]

For further information, please contact:

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Investor Relations Director
RHJ International
Tel: [REDACTED]
E-mail: [REDACTED]

1. BHF transaction and strategic update

Overview and strategic rationale

We are pleased to announce that the transaction to acquire BHF-BANK closed on 26 March 2014. This attractively-priced and transformational acquisition, which is aligned to our strategic objective of developing our financial services businesses, marks the culmination of a long drawn-out process, which began in 2011.

BHF represents a strong cultural and strategic fit with Kleinwort Benson Group's existing wealth management and asset management operations, with the combination of these highly complementary and client-centric businesses providing a solid foundation to drive profitable growth in these core markets.

In Private Banking the acquisition will give us substantial scale, with a high-quality franchise and strengthened value proposition to our high net worth and entrepreneurial client bases cementing our strong positions in the two fastest growing wealth management markets in Western Europe. The combination of our Private Banking businesses also provides significant opportunities to drive both revenue synergies and scale-related cost savings across back office functions and IT.

In Asset Management the acquisition will provide a compelling opportunity for Kleinwort Benson Investors and Frankfurt Trust (BHF's asset management business) to leverage each other's distribution strategies and selected products. The upside profit opportunity from combining the highly-complementary skill sets of these highly-rated and award-winning franchises will be driven by the strengthening of the revenue potential of the individual businesses. Given the very specific nature of the markets served by the individual businesses, there is no intention to formally combine Kleinwort Benson Investors and Frankfurt Trust to capture cost synergies.

In Financial Markets and Corporates the acquisition provides significant potential to leverage BHF's strong track record and propositions to Kleinwort Benson's sophisticated client base. BHF has a well-established and leading position in the fast-growing German "Mittelstand" (SME) market segment – one of the key drivers of Germany's export economy. In addition to its strong market position in export trade finance, BHF is a quality leader of individual, customised advisory services within Corporate Banking, with its distinct Financial Markets offering spanning German equity markets, interest rate and currency-related investments as well as treasury and financial markets research.

Impact of the BHF acquisition on key performance indicators

(Year ended 31 December 2013)

All figures in EUR millions unless otherwise stated

	Existing KBG	BHF	Combined	% increase
AUM (€bn)				
Private Banking	7.1	19.2	26.3	270%
Asset Management	5.4	16.6	22.0	307%
Financial Markets and Corporates ^①	-	2.7	2.7	N/A
Total	12.5	38.5	51.0	308%
Revenues				
Private Banking ^②	65.8	82.1	147.9	125%
Asset Management	15.6	31.8	47.4	204%
Financial Markets and Corporates ^③	15.2	85.2	100.4	561%
Total^④	96.6	199.1	295.7	206%
Tier 1 capital ^⑤	219	445	664	N/A
Risk Weighted Assets ("RWAs") ^⑥	1,106	2,976	4,082	N/A
Tier 1 ratio (Basel III) ^⑦	19.8%	15.0%	16.3%	N/A
FTEs	714	1,072	1,786	150%

^①Assets under Management in BHF comprise institutional client deposits within the Corporates business.

^②KBG Private Banking figure excludes €15.2m of income from Corporate Advisory and Treasury activities. These are included within the Financial Markets and Corporates line to align to the segmentation used by BHF.

^③BHF Financial Markets revenues include income from Treasury business.

^④Total revenue figure for BHF does not include €20.8m of "Other / consolidation" revenues. Total income reported by BHF prior to US/UK tax and restructuring amounted to €219.9m in 2013.

^⑤Figures for Kleinwort Benson Group relate to the Wealth Management operations only.

^⑥Combined figures for Tier 1 capital, RWAs and Tier 1 ratio represent a simple pro forma aggregation and are not intended to reflect a true consolidated figure.

The closing of the BHF acquisition is transformational for RHJI's existing financial services businesses, both in terms of Assets under Management (AuM) and revenue generation, even before the synergistic benefit of this business combination on the future growth potential of the respective businesses is taken into consideration. At a business line level, using reported figures for the year ended 31 December 2013, the effect on key metrics is as follows:

In **Private Banking** the business combination will lead to a 270% increase in AuM from €7.1 billion to €26.3 billion, with total income across these business lines increasing by 125% from €65.8 million⁴ to €147.9 million.

Similarly, in **Asset Management** the acquisition will have a profound impact on key indicators, with AuM quadrupling from €5.4 billion to €22.0 billion and revenues tripling from €15.6 million to over €47.0 million.

Once BHF's Financial Markets and Corporate business is taken into consideration, **total AuM and revenues** across BHF and KBG's financial services businesses amount to €51.0 billion and approximately €300 million respectively, based on reported figures for 2013.

BHF has a highly liquid and low risk balance sheet. Consequently, the enlarged KBG entity post-acquisition has a robust capital position, with a Basel III tier 1 ratio of 16.3% and an IFRS net asset value of €774 million⁵. Headcount across the financial services business is close to 1,800 FTEs.

Synergy potential from the combination

In addition to the headline scale benefits that the BHF acquisition brings to KBG's existing financial services businesses, the combination offers significant potential to drive cost synergies across the Private Banking / Wealth Management franchises as well as revenue opportunities, which have been identified and are currently being validated.

Given the highly-complementary nature of BHF and Kleinwort Benson's Private Banking / Wealth Management businesses, combined with RHJI and BHF Management's extensive experience in integrating and turning around financial services businesses, we are confident that we will achieve synergy cost savings in excess of €20 million. To achieve these synergies and lead the integration process, RHJI Executive Management will take on a more execution-based and operational role than they have been able to do while the BHF transaction and approval process were in progress. We will provide more detail on these synergies at the time of our first trading update for 2014, which is scheduled for 15 May 2014.

Valuation parameters for the BHF acquisition (based on 100% of BHF)⁶

<i>(In EUR millions)</i>	NAV	Intangibles	TNAV	Purchase price	PP/NAV	PP/TNAV
BHF	494	35	459	340	0.69	0.74
KBG	280	39	241	194	0.69	0.81
Total	774	74	700	534	0.69	0.76

RHJI and Kleinwort Benson Group have acquired 100% of BHF for a total consideration of €340 million⁶, representing an attractive multiple of 0.69x the €494 million⁶ net asset value ("NAV") reported in its closing accounts and 0.74x its tangible net asset value ("TNAV") of €459 million⁶. The pro-forma purchase price of the BHF transaction has reduced to €340 million⁶ from the approximate figure of €354 million that was reported in October 2013. This reflects non-operating adjustments to BHF's NAV in the intervening period that have had a direct effect on the purchase price.

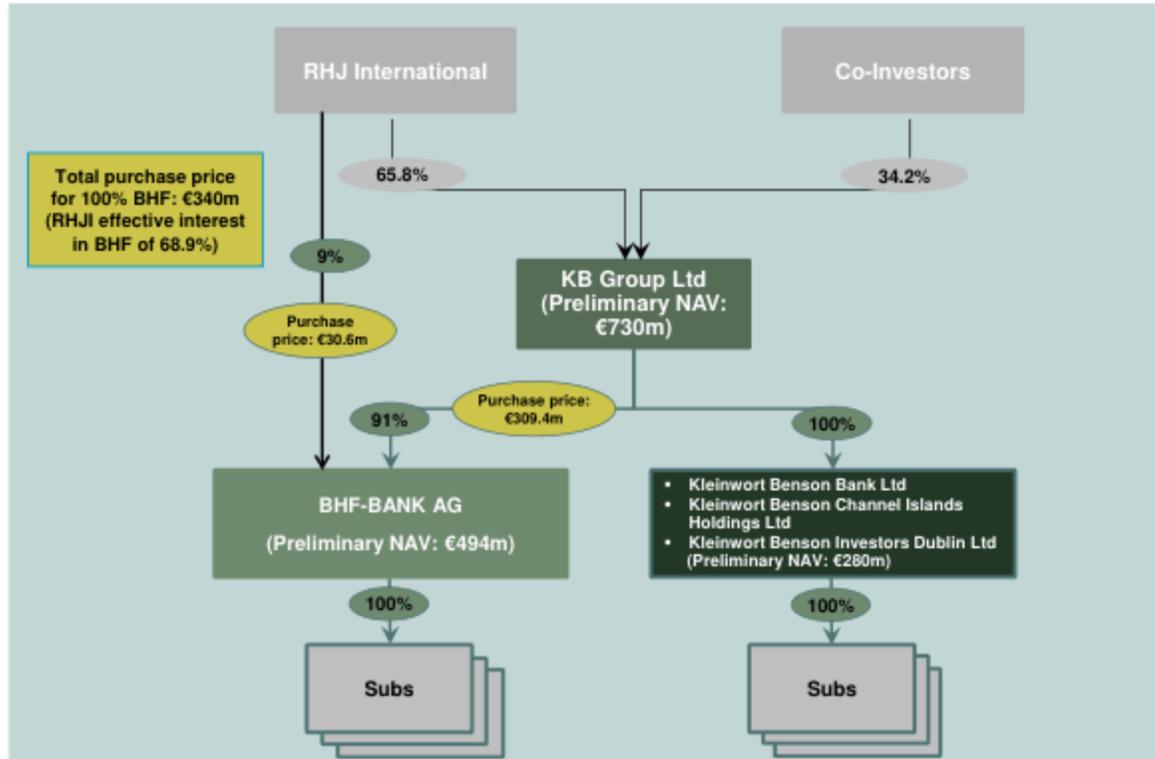
⁴ Kleinwort Benson figure excludes €15.2 million of income from Corporate Advisory and Treasury activities.

⁵ IFRS net asset value comprises 100% of BHF's preliminary net asset value of €494m and 100% of KBG's preliminary net asset value pre-capital increase of €280 million.

⁶ Preliminary valuations, subject to post-closing adjustments.

As can be seen in the table above, RHJI’s 100% stake in the Kleinwort Benson Group (“KBG”) that existed prior to the BHF acquisition, comprising Kleinwort Benson’s Wealth Management operations, Kleinwort Benson Investors, and Kleinwort Benson Holdings, was valued at €194 million⁶ for the purpose of the transaction. This is in line with the equivalent multiple of 0.69x NAV that was used to value BHF, with the alternative multiple of 0.80x applied to KBG’s €241million⁶ TNAV higher than the corresponding multiple of 0.74x that has been applied to BHF.

Structure of the transaction⁶



Under the transaction terms RHJI and Kleinwort Benson Group have acquired 100% of BHF for a total consideration of €340 million⁶. Kleinwort Benson Group has acquired a 91% interest in BHF for a total cash consideration of €309.4 million⁶, with RHJI acquiring the remaining 9% of BHF directly for equity-based consideration of €30.6 million⁶ issued at par. As a consequence of the structure of the transaction, RHJI has a 68.9% effective interest in BHF.

Post-transaction, the enlarged Kleinwort Benson Group will have an adjusted net asset value of €730 million⁶, representing its 91% interest in the €494 million⁶ NAV of BHF (i.e. €450 million) plus 100% of the combined NAVs of €280 million⁶ across Kleinwort Benson Bank Ltd and Kleinwort Benson Channel Islands Holdings Ltd (collectively the “Wealth Management” business) and Kleinwort Benson Investors.

Breakdown of the valuation and ownership of Kleinwort Benson Group post transaction⁶

Uses (valuation in €m)								
BHF-BANK		KBG		KB / BHF Group		Transaction costs		KB / BHF Group (Incl. trans. costs)
91% stake	+		=		+		=	
€309.4m		€194.3m		€503.7m		€10.0m		€513.7m

	Investor	Investment (pre transaction costs)	Transaction costs	Total investment	KBG ownership
1	RHJ International	€331.3m investment (o/w KBG valued at €194.3m and €137.0m in cash)	€6.6m	€337.9m	65.78%
2	Windmere and Collins Trust	€13.3m cash investment into KBG	€0.3m	€13.6m	2.65%
3	Fosun	€96.6m cash investment into KBG	€1.9m	€98.5m	19.18%
4	AQTON SE ¹	€62.4m cash investment into KBG	€1.2m	€63.7m	12.40%
	Total	€503.7m	€10.0m	€513.7m	100.0%

1) Strategic investment vehicle of German entrepreneur Stefan Quandt

As highlighted above, Kleinwort Benson Group has acquired a 91% stake in BHF for total cash consideration of €309.4 million⁶. Post-transaction, the newly enlarged Kleinwort Benson Group now comprises this 91% stake in BHF plus the 100% interests in Kleinwort Benson's wealth management operations and Kleinwort Benson Investors. Combined with deal-related expenses of approximately €10.0 million, the enlarged Kleinwort Benson Group has a transaction-based valuation of €513.7 million⁶.

The ownership split of the new Kleinwort Benson Group is based on the respective value of the investments that have been made by RHJI and each of the three co-investors (as summarised in the table above).

RHJI's 65.78% stake reflects a total investment of €337.9 million⁶, comprising €143.6 million⁶ of cash and a pre-money valuation of €194.3 million⁶ for its 100% interest in the Kleinwort Benson Group that existed prior to the closure of the acquisition.

The entities affiliated with Timothy Collins, comprising Windmere and Collins Trust, hold a 2.65% stake in KBG, reflecting total cash investment of €13.6 million⁶. Fosun, the strategic, long-term Chinese investor, is the second largest holder of KBG post transaction, with a stake of 19.18% for its total cash contribution of €98.5 million⁶. AQTON SE, the 100% owned strategic investment vehicle of German entrepreneur Stefan Quandt, has a 12.40% stake in KBG for a cash contribution of €63.7 million⁶.

RHJI equity consideration for the 9% direct stake in BHF

The RHJI shares that have been issued for the 9% direct interest in BHF had a par value of €5.56 per share. This has been calculated as the issued, paid up capital of the Company of €475.9 million, as reflected in our Articles of Association dated 18 June 2013, divided by the 85.5 million shares that were in issue prior to this transaction. To satisfy the €30.6 million equity consideration for the 9% stake, RHJI has issued 5.5 million additional shares. This has resulted in a revised total share count of 91.0 million shares and Deutsche Bank (the seller) becoming a significant shareholder with an approximate 6.0% stake in RHJI that is subject to customary lock-up conditions.

The issue of RHJI shares at par as consideration for the 9% stake in BHF has given rise to an additional discount benefit to the RHJI Group on the transaction. Calculated using the difference between the par value and market value of €3.80 per share applied to the 5.5 million shares that were issued as consideration, this additional source of discount on the transaction amounted to €9.7 million in total. This discount will be allocated across RHJI and its co-investors on a pro rata basis post-closing and is estimated to result in RHJI's

ownership in KBG reducing to 65.13%, with the offsetting increases being reflected in the individual co-investors' stakes.

Simplification of RHJI corporate structure

Our short-term priority, which has been backed by our major shareholders, is the integration of BHF and subsequent restructuring of the business. This makes both commercial and economic sense as we look to drive both cost and revenue synergies across the combined operating businesses. Following the completion of the BHF acquisition, we are also now actively engaged with our co-investors to discuss the future conversion of their interests in Kleinwort Benson Group into RHJI shares. In this process, our priority will be to agree terms and a conversion price that are mutually acceptable to the co-investors and our current shareholder base rather than to adhere to a rigid timetable.

Summary of BHF transaction

The completion of the BHF acquisition marks a pivotal point in RHJI's strategy of developing a focused financial services business, with the combined business well-placed to benefit from its strong positions in the fast growing UK and German wealth management markets as well as from the highly-complementary and award-winning asset management operations of Kleinwort Benson Investors and Frankfurt Trust.

The transaction has been executed at an attractive valuation, with significant revenue synergies and scale-related efficiency savings underlining the earnings and value accretion of this combination.

2. Consolidated income statement

<i>(In EUR millions)</i>	FY 2013		FY 2012	
	Total	Before exceptional items	Exceptional items ^①	Total
Interest income	51.6	38.5	-	38.5
Interest expense	(35.7)	(16.0)	-	(16.0)
Net interest income	15.9	22.5	-	22.5
Commission and fee income	102.4	101.3	-	101.3
Commission and fee expense	(6.6)	(3.9)	-	(3.9)
Net commission and fee income	95.8	97.4	-	97.4
Other income and expense	2.8	15.4	11.3	26.7
Total operating income	114.5	135.3	11.3	146.6
Selling, general and administrative expenses	(156.7)	(190.9)	-	(190.9)
Net loss on disposal of available for sale assets ^②	(3.0)	-	-	-
Impairment of goodwill	-	(8.6)	-	(8.6)
Operating profit (loss)	(45.2)	(64.2)	11.3	(52.9)
Finance income	2.4	5.5	-	5.5
Finance costs	(8.4)	(7.5)	-	(7.5)
Share of profit of equity accounted investees (net of income tax)	0.5	1.2	-	1.2
Profit (loss) before income tax	(50.7)	(65.0)	11.3	(53.7)
Income tax benefit (expense)	(0.3)	0.4	-	0.4
Loss from discontinued operations (net of income tax) ^③	(15.4)	(31.1)	-	(31.1)
Profit (loss) for the period	(66.4)	(95.7)	11.3	(84.4)

^① In 2011 and 2012, fair value movements on 2011 bonds were treated as exceptional items. From 2013 onwards, these movements are no longer classed as exceptional.

^② Discontinued operations in 2013 comprise Shaklee, SigmaXYZ and the merchant banking business conducted by Ripplewood. In 2012 they comprised Asahi Tec, Phoenix Seagaia Resort, Shaklee and the merchant banking business.

^③ Represents accounting losses with respect to available-for-sale assets, which have not yet crystallized.

3. Segment results

(In EUR millions)						FY 2013
	Financial Services ^①	Holding Segment ^①	Sub-total	Reclassifications ^②	Total	
Net interest income	15.7	-	15.7	0.2	15.9	
Net fee and commission income	95.8	-	95.8	0.0	95.8	
Other operating income	0.9	1.9	2.8	(0.0)	2.8	
Operating income	112.4	1.9	114.3	0.2	114.5	
Operating expenses	(123.8)	(30.6)	(154.4)	(2.3)	(156.7)	
Core operating segment result	(11.4)	(28.7)	(40.1)	(2.1)	(42.2)	
Other non-recurring items ^③	(2.3)	-	(2.3)	2.3	-	
Operating loss before tax and disposal of available for sale assets	(13.7)	(28.7)	(42.4)	0.2	(42.2)	
Net loss on disposal of available for sale assets					(3.0)	
Net finance expense					(6.0)	
Share of profit of equity accounted investees (net of income tax)					0.5	
Loss before income tax					(50.7)	
Income tax expense					(0.3)	
Loss from discontinued operations (net of income tax)					(15.4)	
Loss for the period					(66.4)	

(In EUR millions)						FY2012
	Financial Services ^①	Holding Segment ^①	Sub-total	Reclassifications ^②	Total	
Net interest income	23.0	-	23.0	(0.5)	22.5	
Net fee and commission income	100.4	-	100.4	(3.0)	97.4	
Other operating income	5.1	3.2	8.3	18.4	26.7	
Operating income	128.5	3.2	131.7	14.9	146.6	
Operating expenses	(127.9)	(47.2)	(175.1)	(24.4)	(199.5)	
Core operating segment result	0.6	(44.0)	(43.4)	(9.5)	(52.9)	
Investment in new business lines	(4.3)	-	(4.3)	4.3	-	
Exceptional items - fair value movements ^④	11.3	-	11.3	(11.3)	-	
Other non-recurring items ^⑤	(14.5)	(3.9)	(18.4)	18.4	-	
Operating profit (loss) before tax	(6.9)	(47.9)	(54.8)	1.9	(52.9)	
Net finance expense					(2.0)	
Share of profit of equity accounted investees (net of income tax)					1.2	
Loss before income tax					(53.7)	
Income tax benefit					0.4	
Loss from discontinued operations (net of income tax)					(31.1)	
Loss for the period					(84.4)	

^① Kleinwort Benson Holdings has been removed from the Financial Services segment and is now reflected in the Holding Segment for both 2012 and 2013.

See Financial Services table on page 9 and Holding Segment table on page 14 for further details.

^② Includes reclassification of exceptional and other non-recurring items.

^③ Non-recurring items in 2013 principally relate to restructuring provisions connected with the outsourcing of Back Office functions in the Wealth Management business.

^④ The €11.3 million of exceptional fair value movements reflected in the table above relate to the reversal of fair value losses recognised in 2011.

^⑤ Other non-recurring items relate to restructuring costs (€3.2m), asset impairments (€9.5m) and integration and sales related costs of (€1.8m).

In the year to 31 December 2013, RHJI reduced its consolidated loss across the Group by 21% to €66.4 million (2012: €84.4 million). Within this figure, the core operating segment loss across the Financial Services and Holding segments was 8% lower at €40.1 million (2012: €43.4 million). This principally reflects holding company costs of €30.6 million (2012: €51.0 million), which were 40% lower than the prior year as a consequence of our completed strategic transformation and our ongoing efficiency programmes. This reduction was partly offset by losses generated by our Wealth Management operations, in turn reflecting the adverse impact of the low interest rate and tight credit spread environment on operating income as well as our programme of investment in growth initiatives. Our core segments were also affected by the

uncertainty connected with the BHF transaction, with the recent regulatory approval and completion of this acquisition providing strategic clarity and significant potential to drive profitable growth in our core markets.

The balancing figure in the consolidated loss across the Group, representing losses related to non-core items and discontinued operations, was also lower at €26.3 million (2012: €41.0 million). In 2013 these non-core losses included two main items: losses from our discontinued businesses and losses on the disposal of available for sale assets. Net losses from our discontinued businesses amounted to €15.4 million in the year and comprised losses from Shaklee and the merchant banking operations previously conducted by Ripplewood, offset by gains made on the disposal of SigmaXYZ. Accounting losses with respect to available for sale assets, which have not yet crystallised, amounted to €3.0 million and reflect the difference between the carrying value of our General Partner Interest in the Ripplewood Fund of €15.3 million and the €12.3 million market value of the GoGo shares that we received in full satisfaction of all obligations under the partnership agreement.

4. Financial services segment

The table below details the results of the businesses that make up the Financial Services segment:

<i>(In EUR millions)</i>		FY 2013		
	Kleinwort Benson Wealth Management	Kleinwort Benson Investors	Other Financial Services ^①	Total
Net interest income	15.5	0.2	-	15.7
Net fee and commission income	79.6	15.1	1.1	95.8
Other operating income	0.4	0.3	0.2	0.9
Operating income	95.5	15.6	1.3	112.4
Operating expenses	(109.3)	(13.1)	(1.4)	(123.8)
Core operating segment result	(13.8)	2.5	(0.1)	(11.4)
Other non-recurring items ^②	(2.3)	-	-	(2.3)
Operating profit (loss) before tax	(16.1)	2.5	(0.1)	(13.7)
Share of profit of equity accounted investees (net of income tax)	-	-	0.5	0.5
Profit (loss) before income tax	(16.1)	2.5	0.4	(13.2)
Income tax expense	(0.7)	(0.5)	-	(1.2)
Profit (loss) for the period	(16.8)	2.0	0.4	(14.4)

<i>(In EUR millions)</i>		FY 2012		
	Kleinwort Benson Wealth Management	Kleinwort Benson Investors	Other Financial Services ^①	Total
Net interest income	22.8	0.2	-	23.0
Net fee and commission income	86.7	11.5	2.2	100.4
Other operating income	4.3	0.8	-	5.1
Operating income	113.8	12.5	2.2	128.5
Operating expenses	(113.5)	(12.2)	(2.2)	(127.9)
Core operating segment result	0.3	0.3	0.0	0.6
Investment in new business lines ^③	(4.3)	-	-	(4.3)
Exceptional items - fair value movements	11.3	-	-	11.3
Other non-recurring items ^④	(5.7)	(0.1)	(8.7)	(14.5)
Operating profit (loss) before tax	1.6	0.2	(8.7)	(6.9)
Share of loss of equity accounted investees (net of income tax)	-	-	(0.3)	(0.3)
Profit (loss) before income tax	1.6	0.2	(9.0)	(7.2)
Income tax expense	(0.5)	-	-	(0.5)
Profit (loss) for the period	1.1	0.2	(9.0)	(7.7)

^①Other financial services comprise our stakes in Quirin Bank AG and Arecon AG.

^② In 2013, other non-recurring items principally relate to restructuring provisions connected with the outsourcing of the Back Office functions in the Wealth Management business.

^③ Investment in new business lines relates to Fixed Income business.

^④ Other non-recurring items include restructuring costs (€3.2m), asset impairments (€9.5m), and M&A, integration and sales-related costs of (€1.8m).

4.1. Kleinwort Benson Wealth Management

Condensed consolidated income statement

	FY 2013	FY 2012	FY 2013
	GBPm	GBPm	EURm
Net interest income	13.2	18.5	15.5
Net fee and commission income	67.6	70.3	79.6
Fair value movements	0.1	0.7	0.1
Other operating income	0.2	2.8	0.3
Operating income	81.1	92.3	95.5
Operating expenses	(92.8)	(92.0)	(109.3)
Core operating segment result	(11.7)	0.3	(13.8)
Exceptional items - fair value movements	0.0	9.2	0.0
Other non-recurring items [Ⓐ]	(2.0)	(8.1)	(2.3)
Operating profit (loss) before tax	(13.7)	1.4	(16.1)

Client assets

(In GBP millions)	Dec. 31, 2013	Dec. 31, 2012
Assets under Management [Ⓐ]	5,895	5,175

[Ⓐ]In 2013, other non-recurring items principally relate to restructuring provisions connected with the planned outsourcing of certain Back Office functions.

[Ⓐ]Certain investment portfolio accounts in December 2012 have been reclassified from Deposits to Advisory and Discretionary assets to enable a like for like comparison with December 2013. Immaterial impact on overall AuM of £3 million.

2013 has been a mixed year for Kleinwort Benson Wealth Management (“Wealth Management”). We have seen good growth in our asset base and loan portfolio, with growing momentum in the business reflected in the new business flows being generated by our senior banker hires, recent mandate wins and the quality of our pipeline. Against this, the business generated a segment loss of £11.7 million (€13.8 million), which was principally attributable to the challenging low interest rate and tight credit spread environment, our cautious approach to balance sheet management, as well as our programme of investment in banker hires and systems infrastructure enhancements.

Continued good investment performance across our investment strategies

Robust investment processes and performance are at the core of our value proposition to our clients. As part of this, we aim to achieve sustainable long-term returns across a range of investment strategies. We have been successful in achieving these aims, with our “balanced”, and “steady growth” strategies all outperforming the peer group over the last four years, despite a slight underperformance within the “steady growth” category in 2013.

14% increase in Assets under Management (AuM)

Total AuM across our deposit, discretionary investment and advisory investment offerings increased by 14% in 2013, ending the year at £5.9 billion (€7.1 billion) (31 December 2012: £5.2 billion (€6.4 billion)). Encouragingly, over half of this growth was due to £399 million of positive net inflows across both investing assets and deposits that were achieved despite the industry-wide challenges of the continued low-yield environment. Positive market movements accounted for a further £321 million of AuM growth compared with the 2012 year-end position.

In the year, AuM within our discretionary and advisory investment offerings increased by 13% from £3.8 billion to £4.4 billion, with strong gross inflows generated by our new banker hires as they gained traction in the market. We had a number of notable mandate wins, including an advisory mandate for over £260 million secured by the Family Office that funded in the third quarter. The positive impact of these

trends was, however, partly offset by elevated levels of gross outflows. Similar to the trends previously reported, this was principally driven by the continued low-yield environment, which remains challenging for the wealth management industry as a whole, with 81% of gross outflows relating to retained clients who have had to withdraw capital to supplement their income and maintain their lifestyle. Reassuringly, client numbers in our target high net worth and ultra-high net worth client groups increased by 10% during the year, in turn providing a solid platform for future AuM growth when market conditions normalise. Similar to the trend reported for investing assets, deposits also rose in 2013, increasing by 16% to end the year at £1.5 billion.

Strong balance sheet

We are committed to maintaining a solid capital and liquidity position, with key metrics comfortably exceeding regulatory requirements and at the top end of the European banking peer set. During the course of the year we took modest action to re-balance the asset allocation within our Treasury portfolio, while adhering to our prudent investment policy and risk appetite. At the end of December 2013, 40% of our £1.8 billion (€2.2 billion) treasury book related to cash and eligible liquid assets compared to 57% at the end of 2012. The corresponding increase in the weighting of high quality and low risk corporate bonds had a slight positive impact on net interest income in the second half of the year despite the structural challenges of the low interest rate and tight credit spread environment.

In 2013, our loan portfolio increased by 19% from £374 million to £446 million, with growth of 9% arising in the fourth quarter alone. This growth was achieved against the backdrop of the ongoing repositioning of the portfolio onto a more profitable basis while maintaining our pricing discipline in a competitive market. Notwithstanding this growth in the loan book, our liquidity metrics remained strong, with our loan to deposit ratio of 24% amongst the lowest in the European banking sector and with no reliance on wholesale funding. Taken together, these provide us with significant capacity to continue to grow the loan book on a profitable basis, while maintaining comfortable funding and liquidity metrics.

As at 31 December 2013, we had a Tier 1 ratio of 19.8% compared to 19.5% at the end of the third quarter and 22.5% at the end of 2012. The main driver of the reduction compared with the prior year-end has been an increase in our Risk Weighted Assets ("RWA"), reflecting our increased holdings of investment grade bank and corporate bonds within our Treasury portfolio as well as the growth of our loan book, both of which remain within our existing risk parameters and appetite. At 19.8% our Tier 1 ratio remains comfortably in excess of regulatory requirements and is amongst the strongest within the European banking peer set.

Challenging economic environment and investment in the business constraining profitability

At a headline level, operating income was 12% lower than the prior year at £81.1 million (2012: £92.3 million), principally reflecting the challenges of the low interest rate and tight credit spread environment.

Similar to the trend previously reported, the reduction in operating income was largely attributable to net interest income, which was 29% lower than the prior year at £13.2 million (2012: £18.5 million). This was, in turn, attributable to a number of factors, including competitive pricing pressure in the deposit market and, more importantly, the significant tightening of credit spreads compared to the prior year. To set this into a market context, a leading index of 3 year credit default swaps on 125 investment grade European Corporate credits declined to an average of 40 basis points (bps) in the year to 31 December 2013 compared with 105 bps in the prior year.

In contrast, net fee and commission income of £67.6 million was relatively robust, declining by less than 4% compared to a prior year figure of £70.3 million, which included £1.4 million in respect of our small, discontinued pension wrapper business. Offsetting these factors, net fee and commission income generated by our Private Wealth Management business was resilient, partly reflecting transactional activity which improved slightly compared to the prior year.

At a headline level, operating expenses were broadly flat with the prior year at £92.8 million (2012: £92.0 million). As a business focused on its longer-term franchise strength, growth and profitability, we continue to drive operational efficiencies across the business and to reinvest the resultant savings into revenue opportunities. These included banker hires as well as systems and process improvements, which recently included enhancements to our client reporting. Prior to these necessary investments in the business, which totalled £6.4 million in 2013 (2012: £3.3 million), underlying operating expenses of £86.4 million (2012: £88.7 million) were approximately 3% lower than the prior year, with key savings arising from headcount reductions in the Offshore business and the outsourcing of back office functions. In contrast, personnel costs in our Onshore business increased compared with the prior year. This reflects the recruitment of senior bankers, who are already gaining market traction but will not generate their full revenue potential until they emerge from their restricted covenant periods and are able to compete more actively.

Outlook

In the short-term we expect our financial performance to remain challenging, with the positive profit impact of the operational changes we are implementing being offset by the adverse effects of the low interest rate and tight credit spread market environment. We are encouraged by the new business being generated by our new bankers and expect this to increase gradually as they gain traction in the market. We are focused on driving efficiency savings from the BHF acquisition, with key savings expected to be captured through the combination of back office and IT functions. With our strengthened client propositions, we are well-positioned to benefit from the significant growth that is expected in UK and International Wealth.

4.2. Kleinwort Benson Investors

Condensed consolidated income statement

<i>(In EURMillions)</i>	FY 2013	FY 2012
Net interest income	0.2	0.2
Net fee and commission income	15.1	11.5
Other operating income	0.3	0.8
Operating income	15.6	12.5
Operating expenses	(13.1)	(12.2)
Core operating segment result	2.5	0.3
Other non-recurring items	-	(0.1)
Operating profit before tax	2.5	0.2

Client assets

<i>(In EURMillions)</i>	December 31, 2013	Dec. 31, 2012
Assets under Management	5,420	3,644

Kleinwort Benson Investors ("KBI") has had a very successful 2013, with a significant increase in net sales in North America and Europe, strong investment returns and the effective management of the operating platform leading to AuM growth and a dramatic improvement in profitability in both absolute and margin terms.

Strong investment performance in both absolute and relative terms

Overall 2013 was a very strong year for investment performance with almost all of KBI's specialist equity strategies delivering strong double-digit percentage gains. Of equal importance was the fact that we both maintained, and in many cases enhanced, our longer term track record of strong and consistent investment outperformance. It was particularly pleasing to see that two of our flagship equity strategies, notably the Developed Equity strategy and Water fund, both outperformed their benchmarks as well as delivering excellent absolute returns.

As in 2012, the strength of our investment performance and processes received industry recognition in 2013, with Kleinwort Benson Investors being named as “Investment Manager of the Year, Ireland” for the second year running at the World Finance awards in July.

Significant growth in Assets under Management (AuM) driven by net inflows

At the end of December 2013, AuM amounted to €5.4 billion, a 49% increase from the previous year-end and 92% higher than the equivalent figure at the end of 2011. Encouragingly, while supportive equity markets played a significant role, this stellar growth was mainly attributable to net inflows of €1.4 billion in the year, equating to 37% of opening AuM and accounting for 76% of the overall growth reported in 2013.

The net inflow of €1.4 billion in 2013 represented an increase of 350% compared with 2012 and was particularly concentrated in the second half of the year, with half of the annual figure relating to the fourth quarter alone. This sharp increase compared to the prior year is a testament to our ongoing focus on developing the business’ profile and distribution strategy through global institutional consultancy houses and selected wholesale partnerships.

Consistent with the trends previously reported, we continue to see a marked shift in the geographic distribution of the client base, with North America and Europe recently becoming the two largest regions for AuM – each accounting for 31% of our total portfolio. AuM on behalf of Irish clients has continued to decline and at year-end represented 28% of the total portfolio compared to 45% at the start of the year. This reflects the ongoing structural shifts across the Irish market, which have led to a combination of de-risking and the wind-up of defined benefit pension schemes.

Growth in Europe was particularly strong during the fourth quarter, with a 63% increase in AuM compared to the position at the end of September. This principally reflects an increase in Assets under Advisement (“AuAd”) on behalf of a wholesale distribution partner, which amounted to €1.4 billion at year-end. Margins on AuAd are materially lower than for full service discretionary mandates.

From a product perspective, we are continuing to see healthy demand across our specialist Global Equity and Environmental Equity strategies as well as some outflows from the multi-asset strategies, the latter predominantly relating to Irish pension funds. The combined effect of these trends has led to a marked shift in the weighting of our overall AuM portfolio by product, with our Global Equity and Environmental strategies collectively now accounting for 77% of total AuM compared to 50% at the end of 2011.

Sharp uplift in profitability demonstrates scalability of the business

The strong growth in AuM during the year, coupled with the scalability of the business model, has had a profound impact on profitability in 2013. Operating income increased by 25% to €15.6 million compared to the prior year, with North American revenues more than doubling and accounting for 94% of the year-on-year increase in absolute terms. Operating costs increased by 7% to €13.1 million, principally due to performance-related pay, as well as staff hires and other new business development activity as we grow the business. As a consequence of the strong growth in operating income and relatively modest increase in operating costs, we generated a segment profit of €2.5 million in the year, which was over eight times as high as the equivalent figure of €0.3 million in the year to 31 December 2012. In addition to this sharp increase in profit in absolute terms, the growth in AuM and scalability of the business has led to a significant strengthening of our operating margin from 3% in 2012 to 16% in 2013.

Outlook

Momentum in the business remains solid. We are actively engaged in new institutional mandate searches across the product range, while the institutional mandates won in the second half of 2013 will show a full year’s revenue impact in 2014. Significantly, we have recently been invited to participate in tenders for a number of large sovereign wealth funds and government mandates in Europe, Asia and North America. At the end of December 2013 we had approximately €1.0 billion of recently won and unfunded mandates for clients in Europe, North America and Asia. This included a €630 million mandate for the Luxembourg State Reserve Pension Fund, for which monies were received in January 2014.

We have also invested in the development of our existing wholesale distribution relationships in terms of sales support and additional product placement. This investment has already yielded results and should continue to do so. In addition we expect new wholesale distribution partnerships to start to generate incremental flows in the coming months.

Looking ahead, the business is well-positioned for growth, with a healthy pipeline, capacity within our product set, and a well-established profile as a provider of differentiated institutional-quality product. Assuming reasonably supportive market conditions, we would expect to see continued leverage in the business model, with AuM growth leading to a further improvement in profitability and operating margin during 2014.

4.3. Other financial services

In the year to 31 December 2013 our “Other financial services” businesses generated an overall pre-tax profit of €0.4 million (2012: pre-tax loss of €9.0 million). Within this, our equity-accounted stake in Quirin generated a pre-tax profit of €0.5 million that was largely unchanged from the prior year.

Last March, at our Preliminary results for the year to 31 December 2012, we reported that we had fully written off the €5.8 million carrying value of our stake in Arecon to reflect the challenging conditions in the Swiss asset management industry, with the subsequent decision to close the business, which was reached between Arecon Management and RHJI, reported at our Interim results in August. In the period prior to its closure, Arecon generated a pre-tax loss of €0.1 million in 2013, reflecting the challenges that the business faced in achieving sufficient scale to become profitable in the current operating environment.

5. Corporate holding segment

In view of the proposed simplification of the holding structure, we amended the definition of the Corporate Holding segment at our 2013 Interim Results. As a consequence, Kleinwort Benson Holdings was moved from the Financial Services segment to the Corporate Activity sub-segment within the Corporate Holding segment. The prior year period has been restated accordingly. The Corporate Holding segment comprises our Investment Activity, Industrial Investments and redefined Corporate Activity sub-segments. These are reflected in the tables below.

<i>(In EUR millions)</i>	FY2013			
	Investment Activity	Industrial Investments	Corporate Activity ^①	Total Holding Segment
Operating income	-	-	1.9	1.9
Operating expenses	(4.9)	-	(25.6)	(30.6)
Core operating segment result	(4.9)	-	(23.7)	(28.7)
Other non-recurring items	-	-	-	0.0
Operating loss before tax	(4.9)	-	(23.7)	(28.7)
Net finance expense	-	-	(5.8)	(5.8)
Share of profit of equity accounted investees (net of income tax)	-	-	-	0.0
Loss before income tax	(4.9)	0.0	(29.6)	(34.5)
Income tax benefit	-	-	0.9	0.9
Loss from discontinued operations (net of income tax) ^②	-	(1.6)	-	(1.6)
Loss for the period	(4.9)	(1.6)	(28.6)	(35.2)

^① Corporate activity comprises RHJI Corporate Centre and Kleinwort Benson Holdings. FY2012 figures have been restated accordingly.

^② Loss from discontinued operations comprises loss on sale of Shackle (€13.7m), offset by gain on the sale of SigmaXYZ (€12.1m)

(In EUR millions)

FY2012

	Investment Activity	Industrial Investments	Corporate Activity	Total Holding Segment
Operating income	0.0	0.0	3.2	3.2
Operating expenses	(13.3)	(2.9)	(31.0)	(47.2)
Core operating segment result	(13.3)	(2.9)	(27.8)	(44.0)
Other non-recurring items [Ⓓ]	(0.2)	(3.7)	0.0	(3.9)
Operating loss before tax	(13.5)	(6.6)	(27.8)	(47.9)
Net finance expense	-	-	(0.1)	(0.1)
Share of profit of equity accounted investees (net of income tax)	-	1.5	-	1.5
Loss before income tax	(13.5)	(5.1)	(27.9)	(46.5)
Income tax benefit	-	-	0.9	0.9
Loss from discontinued operations (net of income tax) [Ⓔ]	-	(22.0)	0.0	(22.0)
Loss for the period	(13.5)	(27.1)	(27.0)	(67.6)

[Ⓓ] Total "other non-recurring items" for the Holding Segment of €3.9 million relate to restructuring activities for discontinuing operations.

[Ⓔ] Loss from discontinued operations comprises remeasurement of Shaklee to fair value (€32.7)m, offset by gains on the disposal of Asahi Tec (€6.5m) and Phoenix Seagaia (€4.2m).

Total Holding Company costs, comprising operating expenses and "other non-recurring items", have been reduced by 40% to €30.6 million in the year to 31 December 2013 compared with the €51.0 million that was incurred in the prior year. Within these totals, cash fixed holding costs excluding London lease costs were reduced by 17% to €15.9 million (2012: €19.2 million). At a corporate entity level, holding company costs incurred by the RHJI holding segment were reduced by 44% from €42.9 million to €24.2 million, while costs associated with Kleinwort Benson Holdings were reduced by 21% to €6.4million (2012: €8.1 million) The tables and charts below summarise the fixed and variable costs incurred in the years to 31 December 2012 and 2013 and highlight the significant savings that have been achieved.

5.1. Holding Company Costs⁷

(In EUR millions)	FY2013	FY2012
Fixed remuneration	6.9	9.1
Other fixed holding costs	9.0	10.1
Total cash fixed holding costs excluding London lease costs	15.9	19.2
London premises costs	5.6	6.4
Depreciation and amortisation	0.8	0.7
Total fixed costs	22.3	26.3
Variable compensation	5.2	8.1
Total variable costs	5.2	8.1
Deal related expenses	2.5	8.7
Restructuring expenses	0.6	7.9
Total transformation costs	3.1	16.6
Total Holding Company costs	30.6	51.0

The significant reduction in Holding Company costs compared to the prior year reflects a number of factors. These include the completion of our strategic transformation from a diversified holding company into a focused financial services business following the sale of Shaklee and SigmaXYZ during the course of 2013. As announced at our Interim results in August 2013, we will look to simplify the legal and governance structures of the Group, with the aim of building on our strong progress to date in driving efficiencies across the business to achieve a cost base that is appropriate for a focused and more streamlined financial services group.

⁷ Holding company costs comprise operating expenses and other non-recurring items for the Investment Activity, Industrial Investments and Corporate Activity reporting segments.

Breakdown of Holding Company costs by category and by legal entity



As highlighted above, our strategic transformation has had a significant impact on Holding Company cost trends, with elevated levels of restructuring costs and deal-related expenses in 2012 respectively reflecting the restructuring and divestment of our Legacy industrial portfolio in Japan and the concurrent development of our financial services businesses through the long-drawn out process to acquire BHF-BANK. In total, these expenses linked to our transformation reduced by 81% from €16.6 million in 2012 to €3.1 million in 2013. In 2014, these expenses will be significantly higher than 2013. This principally reflects deal-related expenses that we will incur upon the completion of the BHF-acquisition, which were funded at the time of the transaction.

London lease costs of €5.6 million were reduced by 13% compared to the prior year. During the course of 2013 we secured three new sub-lease arrangements, the full €1.0 million financial benefit of which will be reflected in our 2014 results.

Cash fixed holding costs excluding London lease costs were reduced by 17% to €15.9 million (2012: €19.2 million). Within this total, fixed remuneration and benefits were 23% lower at €6.9 million (2012: €9.1 million), principally reflecting headcount reduction following the sale of the legacy portfolio and subsequent streamlining of the business. While not included within fixed holding costs, variable compensation was also 36% lower than the prior year at €5.2 million (2012: €8.1 million). In addition to lower headcount, this trend has been driven by a reduction in average variable remuneration per person, with reduced individual awards reflecting our commitment to reduce corporate costs and the overall financial performance of the Group.

Other fixed holding costs were reduced from €10.1 million in 2012 to €9.0 million in 2013. These costs include a number of mandatory items that are directly associated with our obligations as a listed and regulated financial services business as well as operational costs that are incurred to ensure the smooth running of the business.

We have not yet achieved our targeted run rate of cash fixed holding costs excluding London lease costs of under €10 million. This is largely due to the significant delays associated with the BHF acquisition, which have had a major knock-on effect on our ability to drive through the simplification of the corporate and legal

structures of the Group and achieve the significant efficiency savings that would arise from the collapse of our dual holding structure.

As highlighted on page 7, we are actively engaging with our co-investors in the BHF transaction to agree terms for the future conversion of their stakes in KBG into RHJI shares. Until terms for the conversion of the co-investors' interests have been agreed, we will continue to operate under a dual holding structure of RHJI and Kleinwort Benson Holdings. During this period, RHJI will bear 65.78% of Kleinwort Benson Holdings' cost base following the completion of the BHF transaction, with our co-investors bearing the remaining 34.22%. Once we have reached agreement with our co-investors and our current shareholders for the conversion terms, we intend to collapse the dual holding structure of the Group – a significant development that will be instrumental in bringing our run rate of total cash fixed holding costs excluding London lease costs to below the targeted level of €10 million.

6. Discontinued operations

(In EUR millions)				
FY 2013				
	Merchant banking	Shaklee	SigmaXYZ	Total
Operating expenses	(10.2)	-	-	(10.2)
Final contribution to fund wind down expenses	(3.6)	-	-	(3.6)
Operating loss	(13.8)	-	-	(13.8)
Gain / (loss) on disposal	-	(13.7)	12.1	(1.6)
Profit / (loss) for the period	(13.8)	(13.7)	12.1	(15.4)

(In EUR millions)					
FY 2012					
	Merchant banking	Shaklee	Asahi Tec	Phoenix Seagaia	Total
Operating income	0.9	-	69.7	27.0	97.6
Operating expenses	(10.5)	-	(69.7)	(27.0)	(107.2)
Operating loss	(9.6)	-	-	-	(9.6)
Net finance income and taxes	0.5	-	-	-	0.5
Gain on disposal	-	-	6.5	4.2	10.7
Remeasurement to fair value	-	(32.7)	-	-	(32.7)
Profit / (loss) for the period	(9.1)	(32.7)	6.5	4.2	(31.1)

In the year to 31 December 2013, the Company generated a loss of €15.4 million from discontinued operations; a significant reduction compared to the loss of €31.1 million that was generated in 2012.

RHJI has completed its strategic transformation from a diversified holding company and is now a focused financial services group, having successfully divested virtually all of its significant legacy industrial investments in recent years. The key divestments in the year to 31 December 2013 are summarised below.

In June we completed the sale of a 39% stake in Shaklee via a share buyback transaction for a gross consideration of €39.8 million, 20% of which was deferred in the form of an interest-bearing payment undertaking with a maturity of, at most, three years. This divestment resulted in an accounting loss of €13.7 million, which included €9.0 million of losses arising from a combination of withholding taxes, transaction costs and foreign exchange losses on the transaction itself. As we announced in May, the agreed consideration for the Shaklee sale of JPY500 per share was in line with the carrying value of our stake. Movements in the exchange rate between the Japanese Yen and the Euro have, however, led to foreign exchange losses on the transaction. As we announced at our Interim results in August 2013, the remaining €4.7 million of losses linked to the sale of Shaklee reflect foreign exchange translation reserves that have been released through the consolidated income statement. This reserve release has, however, been completely offset by a matching credit through reserves, with no overall impact on shareholders' equity whatsoever.

In September we sold half of our 21.8% stake in business consulting services company SigmaXYZ to a number of Japanese buyers for total gross proceeds of €7.4 million, with our remaining stake sold in December through an initial public offering (“IPO”) on the Tokyo Stock Exchange (“TSE”) for proceeds of €9.6 million. The resultant gains on these transactions, coupled with our equity stake of the segment profit generated prior to these divestments, amounted to €12.1 million in the year.

In December 2013 we completed the spin-off our merchant banking operations previously conducted by Ripplewood into a separate legal entity, Kleinwort Benson Advisors LLC (“KBA”). As part of this arrangement, through which RHJI holds a 19% interest in KBA and retains access to future investment products and services, we made a capped and final cash payment of US\$5 million (€3.6 million) as consideration for our equity stake and as a contribution to the costs of winding down the operations of Ripplewood Holdings LLC. This was fully expensed in 2013.

The process to wind down these operations includes the realisation of the Ripplewood Fund’s (“The Fund”) remaining portfolio assets. This process is now virtually complete following the distribution of all the major investments within The Fund, with one of The Fund’s last remaining portfolio assets, an interest in GoGo Inc., realised through a distribution-in-kind in the form of GoGo shares. Under this distribution, which took place in December 2013, we received 665,474 GoGo shares that had a year-end market value of €12.0 million in full satisfaction of all obligations under the partnership agreement. These obligations included a special distribution by an entity affiliated with Timothy C. Collins that we would have received in the event that the amount received by the Company had fallen short of its initial investments of US\$ 21.1 million or €14.5 million.

As a consequence of the spin-off transaction highlighted above, our merchant banking operations conducted through Ripplewood have been reclassified as discontinued. The associated loss of €10.2 million in the year to 31 December 2013 reflects the impact that the current uncertain economic environment has had on the merchant banking business’ ability to execute its strategy and develop exceptional investment opportunities for investors. Importantly, under the terms of the spin-off transaction, RHJI will not fund any future expenses associated with this merchant banking business.

7. Consolidated statement of financial position

<i>(In EUR millions)</i>	December 31, 2013	December 31, 2012
Assets		
Cash and balances with central banks	202.4	245.3
Investment securities	1,451.2	1,062.0
Derivative assets held for risk management	3.4	1.6
Loans and advances to credit institutions	635.1	803.3
Loans and advances to customers	538.7	458.7
Current tax assets	0.4	1.4
Trade receivables, accrued income and other assets	51.4	54.1
Investments in equity accounted investees	17.6	20.0
Property, plant and equipment	14.3	17.6
Intangible assets	42.8	44.9
Deferred tax assets	0.5	0.6
Assets held for sale	0.0	45.7
Total assets	2,957.8	2,755.2
Liabilities and equity		
Loans and deposits due to credit institutions	89.0	52.5
Loans and deposits due to customers	2,279.0	2,036.3
Derivative liabilities held for risk management	6.1	6.4
Current tax liabilities	1.8	1.4
Trade payables, accrued expenses and other liabilities	40.1	44.5
Provisions	14.8	17.8
Deferred tax liabilities	4.8	5.9
Total liabilities	2,435.6	2,164.8
Share capital	475.9	580.3
Share premium	32.2	32.2
Reserves	(16.0)	(17.2)
Retained earnings	30.1	(5.1)
Equity attributable to owners of the Company	522.2	590.2
Non-controlling interests	0.0	0.2
Total equity	522.2	590.4
Total equity and liabilities	2,957.8	2,755.2

When comparing the Company's consolidated statement of financial position for 31 December 2013 and 31 December 2012 it should be noted that, in accordance with IFRS, the investment in Shaklee was presented as an asset held for sale at 31 December 2012. Following the disposal of Shaklee in June 2013, this business is no longer reflected in the consolidated statement of financial position as at 31 December 2013.

The following businesses are consolidated on a line by line basis as at 31 December 2013 and 31 December 2012:

- Kleinwort Benson Wealth Management (KBB/KBCIH – Kleinwort Benson Bank and Kleinwort Benson Channel Islands Holdings)
- Kleinwort Benson Investors
- Arecon

Our investment in Quirin has been accounted for as an associate (on an equity pickup basis) at both reporting dates and is included within equity accounted investees. Following the sale of our entire 21.8% stake in SigmaXYZ during the second half of 2013, this has been removed from our investment in equity accounted investees as at 31 December 2013, although it has been reflected in the prior year balance.

The other most significant movements in the consolidated statement of financial position over the course of 2013 are summarised below.

“Investment securities” of €1,451.2 million (31 December 2012: €1,062.0 million) have increased during the year to December 2013, while “Cash and balances with central banks” have decreased from €245.3 million to €202.4 million and “Loans and advances to credit institutions” have decreased from €803.3 million to €635.1 million over the same period. These movements principally reflect the subtle shift in asset allocation within our Wealth Management operations’ treasury portfolio to generate a better yield in the current low interest rate environment. This is covered in more detail in the Kleinwort Benson Wealth Management section on page 10.

“Loans and advances to customers” have increased from €458.7 million to €538.7 million, while “Loans and deposits due to customers” have also increased from €2,036.3 million to €2,279.0 million. These trends principally reflect the growth of the loan portfolio and client deposits within our Wealth Management operations and are covered in more detail on page 10.

At our Extraordinary Shareholders’ Meeting in June, our shareholders approved a resolution to increase our available reserves and reduce our share capital by €104.4 million via an intra-reserve transfer. As a consequence, share capital has decreased from €580.3 million at the end of December 2012 to €475.9 million at the end of December 2013. The corresponding increase in other reserves is not as significant due to the consolidated loss generated in the year.

The Company, and in particular our Wealth Management operations, continue to have no reliance on wholesale funding to cover liquidity needs.

8. Condensed statement of consolidated cash flows

<i>(In EUR millions)</i>	FY 2013			FY 2012		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Net cash used in operating activities	187.8	-	187.8	48.9	(5.2)	43.7
Net cash from investing activities	(498.7)	-	(498.7)	54.4	-	54.4
Net variance in cash and cash equivalents	(310.9)	0.0	(310.9)	103.3	(5.2)	98.1
Cash and cash equivalents at the beginning of the period	1,009.4	-	1,009.4	879.2	46.1	925.3
Effect of exchange rate fluctuations	(28.6)	-	(28.6)	26.9	-	26.9
Cash disposed	-	-	-	-	(40.9)	(40.9)
Cash and cash equivalents at the end of the period	669.9	0.0	669.9	1,009.4	0.0	1,009.4
of which cash and balances with banks	202.4	-	202.4	245.3	-	245.3
of which loans and advances due to credit institutions [Ⓞ]	468.0	-	468.0	766.4	-	766.4
of which loans and deposits repayable on demand	(0.5)	-	(0.5)	(2.3)	-	(2.3)
Total	669.9	0.0	669.9	1,009.4	0.0	1,009.4

[Ⓞ]Only loans and balances due to credit institutions with a maturity of 3 months or less are included within cash and cash equivalents for the purposes of the cash flow statement.

Cash and cash equivalents from continuing operations decreased by €339 million during 2013, to end the year with a closing balance of €670 million. Net cash from operating activities of €187.8 million principally reflects the increase in client deposits within our Wealth Management operations. These positive cash flow items have been partly offset by the losses from continuing operations during the period. The net cash outflow from investing activities of €498.7 million is largely attributable to the acquisition of high quality corporate bonds in the Wealth Management treasury portfolio. This has been partly offset by proceeds received on the sale of Shaklee and SigmaXYZ. Movements in exchange rates have had a €28.6 million negative impact on the value of cash held, when expressed in Euro terms.

9. Portfolio as at 31 December 2013 and Pro Forma for BHF acquisition

Evolution of Book Value ^①

(In EUR millions)	Ownership	January 1, 2013	Increases/ (Decreases)	December 31, 2013	BHF acquisition	Ownership	December 31, 2013 (Pro Forma)
Investments in financial services							
Kleinwort Benson Group ^②	100%	319.7	(25.7)	294.0	143.6	65.8%	437.6
BHF-BANK		-	-	-	30.6	9.0%	30.6
Quirin	27.8%	19.3	-	19.3	-	27.8%	19.3
		339.0	(25.7)	313.3	174.2		487.5
Investments in legacy portfolio							
Ripplewood (General Partner interest)	13.0%	14.5	(14.5)	-	-	-	-
GoGo	0.8%	-	12.0	12.0	-	0.8%	12.0
SigmaXYZ	21.8%	8.6	(8.6)	-	-	-	-
Shaklee	1.6%	45.7	(44.1)	1.6	-	1.6%	1.6
		68.8	(55.2)	13.6	-		13.6
Total investments		407.8	(80.9)	326.9	174.2		501.1
Cash and other liquid resources ^③		219.2	(9.9)	209.3	(143.6)		65.7
Loans		0.8	7.1	7.9	-		7.9
Total portfolio		627.8	(83.7)	544.1	30.6		574.7
Number of outstanding shares		85.5	-	85.5	5.5		91.0
Book value per share (in EUR)		7.3	(1.0)	6.4	(0.1)		6.3

^① On a non-consolidated basis, prepared in accordance with IFRS, reflecting historical cost less impairment, if any.

^② The ownership % in Kleinwort Benson group has reduced to 65.78% following the acquisition of BHF.

^③ Other liquid resources comprise deposits >3 months and investment securities.

In the year to 31 December 2013, the Company's cash and other liquid resources decreased by €9.9 million from €219.2 million to €209.3 million. The most significant movements within this balance comprise the following:

- The sale of a 39% stake in Shaklee for cash proceeds of €27.5 million, net of withholding taxes and transaction costs;
- The complete divestment of our 21.8% stake in SigmaXYZ through trade sales to a number of Japanese buyers as well as an initial public offering, for combined net proceeds of €17.0 million;
- €32.4 million of funding for corporate holding costs, London lease costs and deal related expenses;
- €13.8 million of funding for our discontinued merchant banking operations. This includes a one-off €3.6 million payment associated with the spin-off of Ripplewood Holdings into Kleinwort Benson Advisers LLC ("KBA");
- A €4.1 million capital injection into KBG to reinforce the capital buffers of our Onshore Wealth Management operations;
- €4.1 million of foreign exchange losses on cash held in Japanese Yen and US dollars.

Other significant movements across the portfolio during the year include:

- A write-down in the carrying value of our investment in Kleinwort Benson Group ("KBG") to €294 million. The write-down results from the annual assessment of the future recoverable amount of the investment, which is part of our normal year-end process. In the period since the initial acquisition of Kleinwort Benson's wealth management operations in 2010, the carrying value of KBG had increased, reflecting additional capital injections that were made to reinforce the internal capital buffers of KBG's onshore wealth management subsidiary Kleinwort Benson Bank Limited ("KBBL"). These capital buffers had, in turn, reduced as a consequence of the investments that had

been made in growth initiatives as well as operating losses. Using appropriate valuation multiples applied to the projected financial performance of KBG's various business areas, KBG's carrying value was determined to be in excess of its recoverable value, thereby necessitating a write-down. The write-down reduces the carrying value to €294 million, a valuation level comparable to the capital initially invested to acquire Kleinwort Benson's wealth management operations (Kleinwort Benson Bank Limited and Kleinwort Benson Channel Islands Holdings Limited) and Kleinwort Benson Investors' asset management business.

- A €7.1 million increase in "Loans" from €0.8 million to €7.9 million, which principally reflects €8.0 million of deferred consideration received on the sale of Shaklee. This balance has reduced from the €8.8 million carrying value that was reflected as at 30 September 2013, principally due to movements in the exchange rate between the Japanese Yen and the Euro;
- The carrying value of our General Partner interest in the Ripplewood Fund ("The Fund") has been reduced to zero from an opening balance of €14.5 million, reflecting the distribution of all of the major investments within The Fund. This is covered in more detail in the section named "Discontinued operations" on page 17. The GoGo shares that we received in December 2013 as a distribution-in-kind were distributed at US\$ 31.06 per share or US\$ 21.1 million in aggregate, in accordance with the Fund's partnership agreement. In the period since the announcement of the distribution-in-kind, GoGo shares have traded down, however, decreasing the market value of our stake to €12.0 million at the end of the year. Going forward, there are no restrictions on our ability to sell these shares at an appropriate time to maximise the net proceeds.

On 26 March 2014 we completed the acquisition of BHF-BANK. This transaction has the following impact on our portfolio table on a pro forma basis, using the position as at 31 December 2013.

- The carrying value of our stake in Kleinwort Benson Group will increase by €143.6 million to €437.6 million, reflecting the cash consideration paid by RHJI for the 91% stake in BHF that is being acquired through Kleinwort Benson Group. RHJI's cash balance will decrease by the corresponding amount.
- RHJI's effective interest in the enlarged Kleinwort Benson Group, which will include the 91% stake in BHF, will reduce from 100% to 65.78%. This reflects the 34.22% stake in the combined entity that the co-investors will acquire in lieu of the financing they are providing for this transaction.
- RHJI will also acquire a 9% direct interest in BHF-BANK. The carrying value of this direct interest of €30.6 million reflects the par value of the 5.5 million RHJI shares that have been issued and transferred to Deutsche Bank for this stake.

Statement of KPMG, the Company's Auditor

The statutory auditor, KPMG Bedrijfsrevisoren – Réviseurs [REDACTED], represented by O. Macq, has confirmed that the audit procedures, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting data included in the Company's annual announcement.

About RHJ International:

RHJ International (Euronext: RHJI) is a limited liability company incorporated under the laws of Belgium, having its registered office at Avenue Louise 326, 1050 Brussels, Belgium. RHJ International is a financial services group with principal activities in wealth management, asset management and merchant banking.

For further information visit: [REDACTED]

This press release contains certain forward-looking statements concerning the Company's operations, economic performance and financial condition. Such forward-looking statements are based on management's current expectations, estimates and projections and are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company has no obligation to publicly update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this press release.

Our updated Corporate Presentation is available on our corporate website ([REDACTED]).