Pillar 3 Disclosure

For the financial year ended 31 March 2016

Rothschild & Co

Contents

1. Scope

Introduction

This document is published to provide information about Rothschild & Co SCA's compliance with the public disclosure rules set out in the Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 relating to minimum capital requirements (known as "Pillar 3" requirements in the Basel 3 Accord and its European transposition by the Capital Requirement Regulation ("CRR")). Rothschild & Co is registered within the list of Financial Companies supervised by the Autorité de Contrôle Prudentiel et de Résolution ("ACPR").

The Pillar 3 disclosure requirements complement the minimum capital requirements ("Pillar 1") and the supervisory review process ("Pillar 2") and aim to encourage market discipline by allowing market participants to assess key pieces of information on the risk exposures and the risk assessment processes of Rothschild & Co.

This document is available on Rothschild & Co's corporate website (www.rothschildandco.com) along with the Rothschild & Co 2016 Annual Report.

Basis of disclosure

These risk disclosures are made in respect of Rothschild & Co and its subsidiary undertakings (together "the Group" or "the Rothschild & Co Group").

The following regulated banking entities are fully consolidated in Rothschild & Co's accounts:

Rothschild Bank AG ("RBZ"), incorporated in Switzerland and supervised by the Swiss Financial Market Supervisory Authority ("FINMA");

Rothschild & Cie Banque SCS ("RCB"), incorporated in France and supervised by the ACPR; and

NM Rothschild & Sons Limited ("NMR"), incorporated in the United Kingdom and supervised by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA").

Rothschild Bank International Limited ("RBI") and Rothschild Bank C.I. Limited ("RBCI"), incorporated in Guernsey and supervised by the Guernsey Financial Services Commission ("GFSC").

As at 31 March 2016, the regulatory consolidation scope is identical to the statutory consolidation scope.

Unless otherwise indicated, financial information presented in this document is as at 31 March 2016 (Rothschild & Co's financial year-end). As there is a significant overlap between the information disclosure requirements for Pillar 3 and information already disclosed in the Rothschild & Co 2016 Annual Report, this document should be read in conjunction with that report. The Rothschild & Co Group organisation presented in this document is consistent with the governance arrangements described within Rothschild & Co 2016 Annual Report.

Verification

These disclosures have been circulated and presented by Rothschild & Co Gestion SAS, Managing Partner of Rothschild & Co, to the Rothschild & Co Audit Committee and the Rothschild & Co Supervisory Board in June 2016. Unless otherwise indicated, information contained within this document has not been subject to external audit. The Pillar 3 disclosures have been prepared purely for the purpose of explaining the basis on which the Rothschild & Co Group has prepared and disclosed certain capital requirements and information about the management of certain risks, and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement on the Rothschild & Co Group.

2. Risk Management

Overview

The guiding philosophy of risk management in the Group is for the management to adopt a prudent and conservative approach to the taking and management of risk. The maintenance of reputation is a fundamental driver of risk appetite and of risk management. The protection of reputation guides the type of clients and businesses with which the Group will involve itself.

The nature and method of monitoring and reporting varies according to the risk type. Most risks are monitored daily with management information being provided to relevant committees on a weekly, monthly or quarterly basis. Where appropriate to the risk type, the level of risk faced by the Group is also managed through a series of sensitivity and stress tests.

The identification, measurement and control of risk are integral to the management of Rothschild & Co's businesses. Risk policies and procedures are regularly updated to meet changing business requirements and to comply with best practice.

Structure and Risk Governance

Rothschild & Co's Managing Partner, Rothschild & Co Gestion SAS is the executive body of Rothschild & Co responsible for setting and reviewing Rothschild & Co's governance arrangements and for establishing adequate, sound and appropriate risk management processes in line with all legal and regulatory requirements.

Internal control governance within the Group is affected through Rothschild & Co and onwards to the senior executive management committees for each of the Group's businesses and the boards of the principal operating entities. The Group internal control system is supervised by the Rothschild & Co Supervisory Board, assisted by its specialised committees. Rothschild & Co, represented by its Managing Partner, Rothschild & Co Gestion SAS, has direct oversight of all Group entities in respect of internal control matters and considers all major strategic and other risk matters affecting all parts of the Group.

The main roles of the committees with responsibility for key risk management areas are as follows:

The **Group Management Committee** ("GMC"), is the senior executive committee at Rothschild & Co, assisting the Rothschild & Co's Managing Partner, represented by its co-chief executive officers in the overall management and the definition of the strategy for the Group's businesses. Its role is to assess the delivery of that strategy, to ensure the proper and effective functioning of Group governance structures, operating policies and procedures, to define the Group's risk appetite and to be responsible for the management of risk.

The Rothschild & Co **Audit Committee**, is a specialised committee of the Rothschild & Co Supervisory Board responsible in particular for supervising and reviewing the Group's internal audit arrangements, review the independence of Rothschild & Co's statutory auditors and the effectiveness of the Group's internal control systems.

The Rothschild & Co **Risk Committee** is a specialised committee of the Rothschild & Co Supervisory Board responsible for reviewing the Group's broad policy guidelines relating to risk management, particularly the limits which reflect the risk appetite presented to the Rothschild & Co Supervisory Board, and examining the effectiveness of the risk management policies put in place. These policies comprise the structure underpinning the group's approach to managing specific categories of risk as articulated in the Group Risk Framework.

The **Group Assets and Liabilities Committee** ("Group ALCO") is responsible for ensuring that the Group has prudent funding and liquidity strategies for the efficient management and deployment of capital resources, within regulatory constraints, and for the oversight of the management of the Group's other financial strategies and policies, including some credit decisions.

The Rothschild & Co **Remuneration and Nomination Committee** is a specialised committee of the Rothschild & Co Supervisory Board responsible in particular for setting the principles and parameters of the remuneration policies for the Group and determining the nature and scale of short and long term incentive performance arrangements that encourage enhanced performance and reward individuals in a "risk based" manner for their contribution to the success of the Group in light of an assessment of the Group's financial situation and future prospects.

Risk management framework

The Group has adopted a risk governance model that is applied across the Group and requires that all of the Group's businesses and functions establish processes for identifying, evaluating and managing the key risks faced by the Group. It is based on the concept of 'three lines of defence'.

In the first instance, Rothschild & Co Gestion SAS sets the Group's risk appetite, approves the strategy for managing risk and is responsible for the Group's system of internal control. The three lines of defence model then distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance.

Group Risk Framework

The Three Lines of Defence for identifying, evaluating and managing risks

First Line of Defence	Second Line of Defence	Third Line of Defence
It is the responsibility of senior management in each of the Group's business lines to establish and maintain effective risk management systems and to support risk management best practice.	Comprises specialist Group support functions including: Risk, Compliance, Legal, Finance and Human Resources. These functions provide: • operational and technical guidance; • advice to management at Group level and operating entity level; and • assistance in the identification, assessment, management, measurement, monitoring and reporting of financial and non-financial risks.	Provides independent objective assurance on the effectiveness of the management of risks across the entire Group. This is provided by the Rothschild & Co Audit Committee and the Group's Internal Audit function.

Risk types

Credit and counterparty risk

Credit risk is the risk of loss resulting from exposure to customer or counterparty default.

Rothschild & Co has adopted the Standardised Approach for calculating Pillar 1 capital requirements for credit risk.

Operational risk

Operational risk, which is inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Rothschild & Co currently adopts the Basic Indicator Approach for calculating Pillar 1 capital requirements for operational risk (except for RCB which uses the Advanced Measurement Approach).

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due, or that the Group is unable to meet regulatory prudential liquidity ratios.

The Group performs liquidity stress testing based on a range of adverse scenarios, and has contingency funding plans which are maintained with the objective of ensuring that the Group has access to sufficient resources to meet obligations as they fall due if these scenarios occur. Stressed liquidity profiles are reviewed by the Group ALCO.

Market risk

Market risk positions arise mainly as a result of the Rothschild & Co Group's activities in interest rate (including interest rate risk in the banking book), currency, equity and debt markets and comprise interest rate, foreign exchange, equity and debt position risk. Market risk exposures are presented in the Rothschild & Co 2016 Annual Report (page 128).

Other material risks

Other risks which are, or may be, material arise in the normal conduct of our business. Such risks, which include concentration risk, securitisation risk, business risk, pension obligation risk, capital planning risk (including the risk of excessive leverage) and reputational risk, are identified and managed as part of the overall risk controls and are taken into account in the Supervisory Board's periodic assessment of capital adequacy.

There is additional information regarding credit risks in the Rothschild & Co 2016 Annual Report (page 124); other information regarding liquidity and funding risks is also included (page 129).

3. Regulatory Ratios

Solvency ratios

During the year ended 31 March 2016, Rothschild & Co and the individual entities within the Rothschild & Co Group complied with all of the externally imposed capital requirements to which they were subject. The following table provides a breakdown of consolidated capital requirements, together with regulatory ratios, at 31 March 2016 compared to the capital requirements at 31 March 2015:

(€m)	31/03/2015[1]	31/03/2016[1]
Tier 1 capital/CET 1	1,045	1,138
Tier 2 capital	139	100
Total Regulatory Capital	**1,184**	**1,238**
Credit risk	3,508	3,048
Operational Risk	2,127	2,368
Market Risk and Credit Value Adjustment	127	102
Total Risk Weighted Assets	**5,762**	**5,518**
Tier 1/CET 1 ratio	**18.1%**	**20.6%**
Total capital ratio	**20.5%**	**22.4%**

(1) Fully loaded based on CRR/CRD4 rules as published on 26 June 2013.

The main reasons for the increase of total capital and CET 1 ratios is due to the increase of the net result for this year (according to Article 26, paragraph 2 of the CRR) and to the decrease of Credit Risk RWA.

Risk Weighted Assets (“RWA”) relating to credit risk has decreased because of several disposals in Merchant Banking and the sale of the Five Arrows Leasing Group. Market risk RWA includes credit value adjustments. Operational risk RWA increased as revenues strengthened (using a three year rolling average of revenues).

Under European Banking Authority (“EBA”) transitional rules for 2016, the Tier 1 ratio with the Capital Conservation Buffer (“CCB”) must exceed 6.625% and the Global ratio including CCB must exceed 8.625%. On a fully loaded Basel 3, the Tier 1 ratio with CCB must exceed 8.5% and the Global ratio including CCB must exceed 10.5%.

Leverage ratio

The Group determines its leverage according to the leverage ratio benchmark as defined by the Basel Committee in January 2014. These rules were transposed into the Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 by way of amended CRR.

The leverage ratio is in an observation phase in order to set minimum requirements.

At 31 March 2016, sustained by the higher Common Equity Tier 1 capital, and as the Group’s activities are not highly leveraged, Rothschild & Co’s fully phased-in leverage ratio was 12.5%.

Appendix A discloses the main characteristics of the leverage ratio.

4. Regulatory Capital

The table below reconciles the composition of regulatory capital for the Rothschild & Co Group as at 31 March 2016 to the audited financial statements in accordance with Article 2 in Commission implementing regulation (EU) No 1423/2013.

Shareholders' equity including year-end profit (€m)	**1,529**
Shareholders' equity-Group share	1,529
Non-controlling interests	**–**
Non-controlling interests per balance sheet	179
Of which: Result for period – MI share	126
Amount not eligible under CRR	(179)
Deductions	**(377)**
Goodwill and other intangible assets	(274)
Deferred tax assets on losses carried forward	(13)
Proposed dividend	(45)
Securitisation exposures	(26)
Holdings of financial sector entities	(19)
Regulatory adjustments	**(14)**
Cash flow hedge reserves	–
Other regulatory adjustments	**(14)**
Core Tier 1 capital	**1,138**
Qualifying Tier 2 instruments issued by subsidiaries	100
Undated subordinated debt per balance sheet	337
Amount not eligible under CRR	(237)
Tier 2 capital	**100**
Total capital base	**1,238**

Appendix B discloses the main characteristics of the own funds instruments.

Appendix C discloses detailed information of the regulatory capital on a full Basel 3 basis and on a transitional basis.

5. Risk Weighted Assets and Capital Requirements

The ACPR sets out the minimum capital requirement for French regulated financial institutions under CRR rules. CRR sets out the minimum regulatory capital to meet credit, market and operational risk. At 31 March 2016, the Group's total capital requirements by risk type were as follows:

Pillar 1 Requirement (€m)	Risk Weighted Assets	Capital requirement
Credit Risk	3,048	244
Market Risk and Credit Value Adjustment	102	8
Operational Risk	2,368	189
Total	**5,518**	**441**

6. Credit Risk

Credit risk exposures

All credit risk capital requirements are calculated using the standardised approach.

The table below presents a summary of the Credit Risk Weighted Assets ("RWA") calculation. The net exposure is the exposure that is subject to a credit risk capital requirement after provisions.

The Exposure At Default ("EAD") is calculated after netting effects, collateral and credit conversion factors but before applying risk weightings. EAD includes off balance sheet exposures that are subject to a Credit Conversion Factor.

The RWA consists of the EAD multiplied by a weighting factor, which varies depending on the credit quality of the counterparty.

Credit risk exposures as at 31 March 2016 were as follows:

Credit risk exposures (€m)	
Net exposure	9,037
Financial collateral	(1,207)
Credit conversion factor	(42)
Exposure At Default	**7,788**
Risk Weighted Assets	**3,048**

Exposures by asset class

The table below shows the analysis of exposures by asset class before credit risk mitigation with substitution effects. Exposures with Central Banks are zero weighted.

Asset Class (€m)	Exposure at default	Risk Weighted Assets
High Risk Exposures	631	947
Other	788	871
Institutions	1,207	295
Equity	159	238
Corporates	275	233
Residential Mortgages	343	141
Retail	157	108
Exposures in default incl. past due	66	87
Commercial Mortgages	61	59
Securitisations	39	37
Collective Investment Units	30	30
Sovereigns	532	2
Central Banks	3,500	–
Total	**7,788**	**3,048**

High risk exposures comprise mainly unlisted Equity investment from the Merchant Banking business. The Other assets category comprises mainly 'Non-credit obligation assets' such as deferred tax assets not otherwise deducted from capital and tangible assets.

6. Credit Risk

EAD by geographical location and by industry sector

The Group is mainly exposed to Switzerland, United Kingdom and France with approximately 80% of its exposures to these three countries. EAD by geographical location are as follows:

Geography (€m)	Switzerland	United Kingdom	France	Other	Total
Central Banks	2,750	505	243	2	3,500
Institutions	154	133	451	469	1,207
Other	128	378	62	220	788
High risk exposures	6	39	186	400	631
Sovereigns	–	508	12	12	532
Residential Mortgages	11	132	–	200	343
Corporates	11	31	130	103	275
Equity	99	–	37	23	159
Retail	8	7	69	73	157
Exposures in default incl. past due	–	51	6	9	66
Commercial Mortgages	–	59	–	2	61
Securitisations	–	–	–	39	39
Collective Investment Units	–	7	–	23	30
Total	**3,167**	**1,850**	**1,196**	**1,575**	**7,788**

By sectors, more than 67% of the exposures are to the Financial and Governments Sectors (Institutions, Sovereign and Central Banks asset classes). Central Banks exposures are mainly to Bank of England, Banque de France and Swiss National Bank.

EAD by maturity

The table below sets out an analysis of credit risk by maturity as at 31 March 2016. Residual maturity of exposures is based on contractual maturity dates and not expected or behaviourally adjusted dates.

Maturity band (€m)	< 1 year	1 – 5 years	> 5 years	Undated	Total
Central Banks	3,500	–	–	–	3,500
Institutions	974	232	1	–	1,207
Other	402	16	–	370	788
High risk exposures	2	431	–	198	631
Sovereigns	505	12	–	15	532
Residential Mortgages	29	297	17	–	343
Corporates	251	18	4	2	275
Equity	–	–	–	159	159
Retail	148	8	0	1	157
Past due exposures	37	27	–	2	66
Commercial Mortgages	37	21	3	–	61
Securitisations	–	–	39	–	39
Collective Investment Units	–	30	–	–	30
Total	**5,885**	**1,092**	**64**	**747**	**7,788**

The Group's strategy is to reduce its corporate banking activities and to maintain a highly liquid short term position. This results in more than 75% of the exposures having a maturity below 1 year.

Value adjustment on impaired assets by asset class

Value adjustments (whether through individual or collective provisions or through equity reserves) shown below relate to impaired assets only.

The net exposure takes into account value adjustments but does not include any mitigation from collateral.

Negative value adjustments and provisions by Asset Class (€m)	Impaired gross exposure	Value Adjustments	Net Exposure
High risk exposures	85	46	39
Commercial Mortgages	19	19	–
Past due exposures	116	73	43
Equity	35	17	18
Total	**255**	**155**	**100**

EAD by credit quality

Rothschild & Co uses external credit assessments provided by Standard & Poor's, Moody's and Fitch for all exposure classes. These are used, where available, to assign exposures a credit quality step and calculate credit risk capital requirements under the standardised approach. Credit quality steps are provided by the regulator and are used to weight asset classes based on the external rating. The following tables provide, by asset class, an analysis of exposures by credit quality steps as at 31 March 2016:

Credit quality (€m)	Credit quality step 1	Credit quality step 2	Credit quality step 3	Credit quality step 4	Credit quality step 5	Credit quality step 6	Unrated	Total
Central Banks	3,500	–	–	–	–	–	–	3,500
Institutions	704	380	55	13	–	3	52	1,207
Other	–	–	–	–	–	–	788	788
High risk exposures	–	–	–	–	–	–	631	631
Sovereigns	238	–	10	–	–	–	284	532
Residential Mortgages	–	–	–	–	–	–	343	343
Corporates	26	–	1	–	–	–	248	275
Equity	–	–	–	–	–	–	159	159
Retail	7	–	14	–	–	–	136	157
Past due exposures	–	–	–	–	–	–	66	66
Commercial Mortgages	–	–	–	–	–	–	61	61
Securitisations	23	3	12	1	–	–	–	39
Collective Investment Units	–	–	–	–	–	–	30	30
Total	**4,498**	**383**	**92**	**14**	**–**	**3**	**2,798**	**7,788**

Credit quality steps correspond to the following external ratings:

Counterparty quality step	Fitch	Moody's	S&P
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	<CCC+	<Caa1	<CCC+

6. Credit Risk

Counterparty credit risk

Counterparty credit risk ("CCR") is deemed to be the risk that a counterparty to a derivative transaction defaults. The duration of the derivative and the credit quality of the counterparty are both factored into the internal capital and credit limits for counterparty credit exposures.

Given the profile of the Group, this type of risk is not material. The table below details CCR exposures. Derivatives positions are not netted.

Counterparty credit risk on derivatives exposures (€m)	Gross Exposure	Financial Collateral	EAD
Banking book	80	32	48
Trading book Equity	104	27	77
Total	**184**	**59**	**125**

Credit risk mitigation techniques

The value of financial collateral used as credit risk mitigation is €1,207m as of 31 March 2016. The main types of collateral consist of netting agreements for market related transactions and of financial collateral related to Lombard Lending to private clients. Note that exposures to Private Clients that are above €1m are classified as corporate, as defined by CRR.

Net exposure is calculated after value adjustment due a provision or value changes on Available For Sale ("AFS") securities. Fully adjusted exposure is calculated after collateral mitigation on net exposures. EAD includes off balance sheet exposures based on credit conversion factors provided by French regulations.

Financial collaterals (€m)	Net Exposure	Financial collateral	Fully adjusted exposure	EAD	RWA
High Risk Exposures	631	–	631	631	947
Other	845	57	788	788	871
Institutions	1,709	500	1,209	1,207	295
Equity	159	–	159	159	238
Corporates	834	550	284	275	233
Residential Mortgages	361	18	343	343	141
Retail	270	82	188	157	108
Past due exposures	66	–	66	66	87
Commercial Mortgages	61	–	61	61	59
Securitisations	39	–	39	39	37
Collective Investment Units	30	–	30	30	30
Sovereigns	532	–	532	532	2
Central Banks	3,500	–	3,500	3,500	–
Total	**9,037**	**1,207**	**7,830**	**7,788**	**3,048**

Securitisations

The Group's primary securitisation focus is on managing securitisation vehicles on behalf of third party investors. This may involve the transfer of some assets from the Group, but these are immaterial in both the context of Group's and the securitisation vehicles' balance sheets. The Group does not underwrite or provide liquidity support to these vehicles.

The Group may invest in both its managed vehicles and third party securitisations. The table below sets out investments in securitisations by credit quality step as at 31 March 2016:

Securitisation type (€m)	Credit quality step	Total EAD	RWA
Resecuritisation	1	7	3
Resecuritisation	3	11	25
Securitisation	1	16	3
Securitisation	2	3	2
Securitisation	3	1	1
Securitisation	4	1	4
Total		**39**	**38**

7. Market Risk

Market risk arises mainly from FX risk in the Group's Merchant Banking activities, which do not systematically hedge FX exposures on gains that are not realised. Market risk capital requirements split by risk type were as follows at 31 March 2016:

Market risk (€m)	Risk Weighted Assets	Capital requirement
Fx risk	69	6
Interest Rate risk	–	–
Equity risk	2	–
Commodity Risk	15	1
Credit Value Adjustment	16	1
Total	**102**	**8**

All market risk requirements are calculated using the standardised approach.

Interest rate risk from the non-Trading Book is described within the Rothschild & Co 2016 Annual Report (page 129).

8. Operational Risk

The capital requirement for operational risk is calculated using the Basic Indicator Approach for the Rothschild & Co Group except for RCB where the use of the Advanced Measurement Approach has been authorised by the ACPR.

The Group Operational Risk Policy defines roles, responsibilities and accountabilities across the Group for the identification, measurement, monitoring and reporting of operational risks. Risk maps are developed by each business and support unit.

The nature of Rothschild & Co's businesses means that operational risks are most effectively mitigated through the application of rigorous internal procedures and processes, with a particular emphasis on client take-on, identification of conflicts of interest, project–specific appointment letters, formal approval of new products and quality controls in transaction implementation. This is supported by a programme of training on Rothschild & Co Group's procedures and regulatory and compliance issues. The Rothschild & Co Group manages its operational risks through a variety of techniques, including monitoring of incidents, internal controls, training and various risk mitigation techniques, such as insurance and business continuity planning.

One of the objectives of the Group Operational Risk Policy is to ensure that operational risk is managed and reported consistently across the Group. Senior management of each business and support unit are required to:

- identify the operational risks which are material in their business;
- describe the controls in place to mitigate these risks; and
- assess the potential impact of each risk, and the likelihood of an event occurring (after taking account of mitigants in place).

Senior management in the operating entities are required to identify, escalate and report operational risk incidents and control weaknesses which give rise to or potentially give rise to financial loss or reputation damage.

The ACPR authorised RCB to use the Advanced Measurement Approach in December 2007. The RCB framework is composed of both qualitative and quantitative elements. The qualitative elements follow the requirements for the Rothschild & Co Group as set out in the Group Operational Policy. The quantitative elements comprise an internal model that quantifies material operational risks. The RCB internal model inputs are internal data, external data, scenario analysis and Key Risk Indicators that reflect the business and internal control environment. Internal losses are collected without threshold at RCB. Scenario analyses are defined with business experts for material risks. The RCB model is composed of eleven risk classes based on the combination of Basel business lines and following Basel risk categories:

- Internal fraud;
- External fraud;
- Employment practices and workplace safety;
- Clients, products, and business practices;
- Damage to physical assets;
- Business disruption and system failures; and
- Execution, delivery, and process management.

The RCB insurance programme has been revised during the deployment of the Operational Risk Advanced Measurement Approach framework to allow the recognition of the effect of insurance techniques as a factor reducing capital.

Operational risk (€m)	Risk Weighted Assets	Capital requirement
Basic Indicator Approach	1,940	155
Advanced Measurement Approach	428	34
Total	**2,368**	**189**

9. Asset Encumbrance

Assets on the balance sheet and collateral received used as pledges, guarantees or enhancement of a transaction and which cannot be freely withdrawn are considered to be encumbered. The following are the main transactions with asset encumbrance:

- secured financing transactions, such as repurchase contracts and agreements;
- collateral placed for the market value of derivatives transactions; and
- assets in portfolio hedging of long term employee benefits.

The ratio of encumbered assets to the assets on the Group's balance sheet was 3.2% as at 31 March 2016. According to EBA Report on Asset Encumbrance, the total weighted average asset encumbrance of EU banks is 27.1% in March 2015 and 25.5% in December 2014.

Encumbered and unencumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	7	7	558	558
Debt securities	59	59	756	756
Other assets	125		7,519	
Total assets	**191**	**N/A**	**8,833**	**N/A**

Encumbered and unencumbered collateral	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Equity instruments	–	–
Debt securities	100	289
Other assets	–	–
Total collaterals	**100**	**289**

Encumbered assets/collateral received and associated liability	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued
Carrying amount of selected financial liabilities	159	159

Appendix A – Leverage Ratio

Disclosure according to Article 451 in CRR (EU) No 575/2013

Summary reconciliation of accounting assets and leverage ratio exposures

Template reference		Applicable Amounts (€m)
1	Total consolidated assets as per published financial statements	9,023
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013	–
4	Adjustments for derivative financial instruments	92
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	343
7	Other adjustments	(359)
8	Leverage ratio exposure	9,099

Split-up of on balance sheet exposures excluding derivatives and Securities Financing Transactions (SFTs)

Template reference		CRR leverage ratio exposures (€m)
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	8,442
EU-2	Trading book exposures	7
EU-3	Banking book exposures, of which:	8,435
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	4,032
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	–
EU-7	Institutions	1,067
EU-8	Secured by mortgages of immovable properties	369
EU-9	Retail exposures	103
EU-10	Corporate	891
EU-11	Exposures in default	66
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1,907

Leverage ratio common disclosure

Template reference		CRR leverage ratio exposures
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	8,442
2	Asset amounts deducted in determining Tier 1 capital	(359)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	8,083
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	92
5	Add-on amounts for PFE associated with all derivatives transactions	92
EU-5a	Exposure determined under Original Exposure Method	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	–
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	–
11	Total derivative exposures (sum of lines 4 to 5a)	184
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	–
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	489
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	–
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	–
14	CCR exposure for SFT assets	–
15	Agent transaction exposures	–
16	Total securities financing transaction exposures (sum of lines 12a and 12b)	489
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	343
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	–
19	Off-balance sheet items (sum of lines 17 and 18)	343
Capital and total exposures		
20	Tier 1 capital	1,138
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	–
21	Total exposures (sum of lines 3, 11, 16, 19 and 21a)	9,099
Leverage ratio		
22	End of quarter leverage ratio	12.5%
EU-22a	Leverage ratio	12.5%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
EU-24	Amount of derecognised fiduciary items	–

Appendix B – Capital Instruments

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013

Capital instruments[1]

Template reference					
1	Issuer	**Rothschild & Co SCA**	**Rothschilds Continuation Finance PLC**	**Rothschilds Continuation Finance B.V.**	**Rothschilds Continuation Finance C.I. Ltd**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement	ISIN Code: FR0000031684	ISIN Code: XS0197703118	ISIN Code: GB0047524268	ISIN Code: XS0048662232
3	Governing law(s) of the instrument	French law	English law	English law	English law
	Regulatory treatment				
4	Transitional CRR rules	Core Equity Tier 1	Tier 2	Tier 2	Tier 2
5	Post-transitional CRR rules	Core Equity Tier 1	Tier 2	Tier 2	Tier 2
6	Eligible at solo/(sub-) consolidated/solo & (sub-) consolidated	Solo & Consolidated	Solo and (Sub-) Consolidated	Solo and (Sub-) Consolidated	Solo and (Sub-) Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Core Equity Tier 1 as published in Regulation (EU) No 575/2013 article484.4	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 142m	EUR 44m	EUR 28m	EUR 27m
9	Nominal amount of instrument	EUR 142m	EUR 150m	USD 200m	GBP 125m
9a	Issue price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	99.989 per cent of Nominal amount
9b	Redemption price	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount	100 per cent of Nominal amount
10	Accounting classification	Shareholders' equity	Non-controlling interest in consolidated subsidiary	Non-controlling interest in consolidated subsidiary	Non-controlling interest in consolidated subsidiary
11	Original date of issuance	N/A	3 August, 2004	22 September, 1986	8 February, 1994
12	Perpetual or dated	N/A	Perpetual	Perpetual	Perpetual
13	Original maturity date	N/A	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes
15	Optional call date, contingent call dates, and redemption amount	N/A	August 2014	September 1991	February 2004
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
	Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed
18	Coupon rate and any related index	N/A	EUR-TEC10-CNO plus a margin	Libor plus a margin	9 per cent
19	Existence of a dividend stopper	N/A	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	No	No	No
22	Noncumulative or cumulative	N/A	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A

Capital instruments[1] – continued

Template reference					
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
30	Write-down features	N/A	No	No	No
31	If write-down, write-down trigger (s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deeply subordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes	Subordinated to unsubordinated notes
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A

(1) 'N/A' inserted if the question is not applicable.

Appendix C - 'Own Funds': Full Basis and Transitional Basis

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013

Regulatory Capital under final provision

Template reference		€m (Full basis)
1	Capital instruments and the related share premium accounts	1,124
2	Retained earnings	311
3	Accumulated other comprehensive income (and any other reserves)	(125)
5	Minority interests (amount allowed in consolidated CET1)	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	187
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,497**
7	Additional value adjustments (negative amount)	(2)
8	Intangible assets (net of related tax liability) (negative amount)	(274)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(13)
11	Fair value reserves related to gains or losses on cash flow hedges	–
15	Defined-benefit pension fund assets (negative amount)	(12)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(13)
16	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(19)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(26)
20c	of which: securitisation positions (negative amount)	(26)
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	–
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(359)**
29	**Common Equity Tier 1 (CET1) capital**	**1,138**
44	**Additional Tier 1 (AT1) capital**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,138**
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	100
51	**Tier 2 (T2) capital before regulatory adjustment**	**100**
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–**
58	**Tier 2 (T2) capital**	**100**
59	**Total capital (TC = T1 + T2)**	**1,238**
60	**Total Risk Weighted Assets**	**5,518**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	20.6%
62	Tier 1 (as a percentage of total risk exposure amount	20.6%
63	Total capital (as a percentage of total risk exposure amount	22.4%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.5%
65	of which: capital conservation buffer requirement	2.5%
66	of which: countercyclical buffer requirement	–
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	16.1%

Regulatory Capital under final provision – continued

Template reference		€m (Full basis)
Amounts below the thresholds for deduction (before risk-weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	113
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	6
75	Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	59
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	3,048
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	–

Appendix C - 'Own Funds': Full Basis and Transitional Basis

Disclosure according to Article 5 in Commission implementing regulation (EU) No 1423/2013

Regulatory Capital under transitional provisions

Template reference		€m (Transitional provisions)	Transitional adjustment
Common Equity Tier 1 capital: instruments and reserves[1]			
1	Capital instruments and the related share premium accounts	1,124	–
2	Retained earnings	311	–
3	Accumulated other comprehensive income (and any other reserves)	(125)	–
5	Minority interests (amount allowed in consolidated CET1)	22	22
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	187	–
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,519**	
7	Additional value adjustments (negative amount)	(1)	1
8	Intangible assets (net of related tax liability) (negative amount)	(274)	–
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(3)	10
11	Fair value reserves related to gains or losses on cash flow hedges	–	–
15	Defined-benefit pension fund assets (negative amount)	(7)	5
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	(13)	–
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(12)	7
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(26)	–
20c	of which: securitisation positions (negative amount)	(26)	–
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	(16)	–
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	–	–
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	(4)	–
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(356)**	**–**
29	**Common Equity Tier 1 (CET1) capital**	**1,163**	**–**
44	**Additional Tier 1 (AT1) capital**	**–**	**–**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,163**	**–**
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and		
51	**Tier 2 (T2) capital before regulatory adjustment**	**119**	**–**
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**–**	**–**
58	**Tier 2 (T2) capital**	**119**	**–**
59	**Total capital (TC = T1 + T2)**	**1,282**	**–**
60	**Total risk-weighted assets**	**5,518**	**–**
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	21.1%	–
62	Tier 1 (as a percentage of total risk exposure amount)	21.1%	–
63	Total capital (as a percentage of total risk exposure amount)	23.2%	–
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	0.625%	–
65	of which: capital conservation buffer requirement	0.625%	–
66	of which: countercyclical buffer requirement	–	–
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	–
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	16.6%	–

Regulatory Capital under transitional provisions – continued

Template reference		€m (Transitional provisions)	Transitional adjustment
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	113	–
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	6	–
75	Deferred tax assets arising from temporary difference (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	59	–
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	–	–
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	3,048	–
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	–	–
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	–	–

About Rothschild & Co

Rothschild & Co operates in the following areas:

With a team of c.2,800 talented employees on the ground in 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Private Wealth, Asset Management, and Merchant Banking.

Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years.

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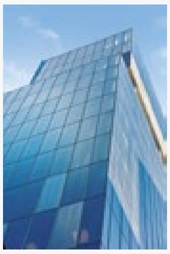

Foreground: our New Court offices in London.

Background: Detail from a £1,000 bond for the 6% sterling bonds for the Compagnie de Chemins de Fer de Paris à Orléans, issued by the Rothschild family's UK banking business in 1922.

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