RCI BANQUE

RISKS – PILLAR III

Update at
30 June 2019

INTRODUCTION

The following information concerns RCI Banque's risks and is provided to meet the disclosure requirements of Pillar III of the Basel Agreements, transposed into European law by means of Regulation (EU) 2013/575 (or CRR) and Directive 2013/36/ EU (or CRD IV).

It is published on a consolidated basis (Article 13 of the CRR) and meets the requirements set out in part 8 of the CRR (Articles 431 and seq.).

RCI Banque's Pillar III report is published annually as a whole, but certain important or faster changing items are disclosed half-yearly, or only on a transitional basis (Article 492 of the CRR). No material, proprietary or confidential information is omitted (Article 432 of the CRR).

Publication of the risk report is the responsibility of RCI Banque's Company Chief Risk Officer. The information contained in this report has been prepared in accordance with the Pillar III disclosure procedure validated by RCI Banque's Regulatory Committee.

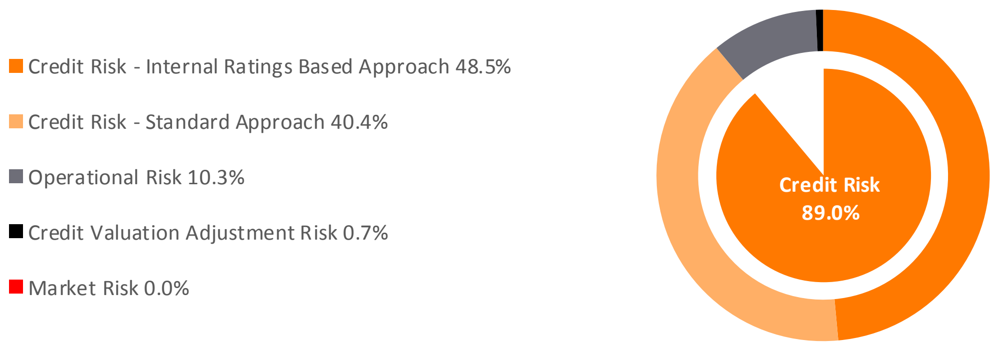
KEY FIGURES

Key figures and ROA

Prudential Ratios	
CET1 Solvency Ratio[1]	14.59%
Leverage Ratio	8.40%
LCR - Arithmetic Average of the past three months	270%

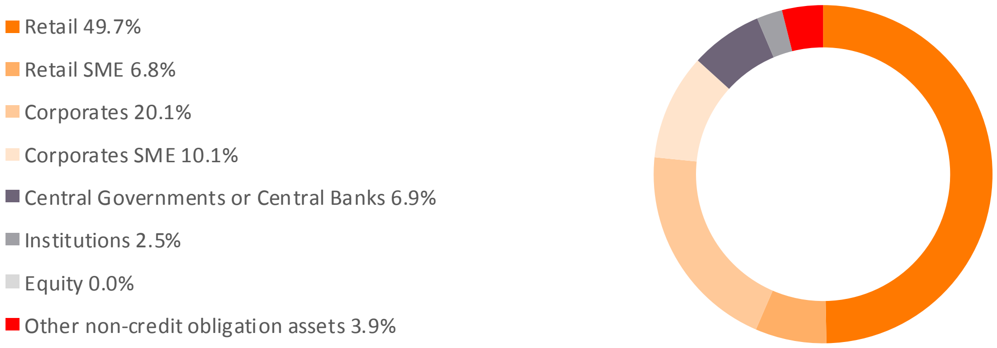
ROA - Return On Assets[2]	1.5%

Own funds requirements by type of risk



[1] Solvency Ratio including interim profits net of provisional dividends for the first half-year 2019, subject to regulator's approval in accordance with Article 26(2) of Regulation (EU) No 575/2013.
[2] Return on assets calculated by dividing net profit by the balance sheet total (CRD IV, Article 90).

0-1 Exposure by exposure class



I - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

A - SOLVENCY RATIO

SOLVENCY RATIO (OWN FUNDS AND REQUIREMENTS)

In September 2007 the French Prudential Supervision and Resolution Authority granted RCI Banque individual exemptions from solvency ratio compliance for French credit institutions Diac SA and RCI Banque S.A., as the exemption conditions imposed by Article 4.1 of CRBF regulation 2000-03 were met by the group.

The switch to Directive 2013/36/EU (CRD IV) does not call into question the individual exemptions granted by the French Prudential Supervision and Resolution Authority before 1st January 2014, on the basis of previous regulatory provisions.

RCI Banque still complies with the framework of requirements provided in Article 7.3 of the CRR:

- There is no impediment to the transfer of own funds between subsidiaries;
- The risk measuring and control systems within the meaning of the ministerial order of 3 November 2014 on internal control are implemented on a consolidated basis, subsidiaries included.

Accordingly, the RCI Banque group is exempted from compliance on an individual basis with the solvency ratio for each of its French finance companies. However, it monitors changes in this ratio at group consolidated level every month.

The overall "Pillar I" solvency ratio is 14.61% at 30 June 2019 (of which Core Tier one at 14.59%) against 15.48% at 31 December 2018 (of which Core Tier One at 15.46%). These ratios include interim profit at June 2019, net of dividends that RCI Banque is planning to pay to its shareholder relative to the financial year, in accordance with Article 26.2 of the CRR and the terms of decision BCE 2015/4. Compared to December 2018, the decrease in the solvency ratio is due to a slight increase in regulatory own funds of €19M, combined with a €2,031M increase in weighted risks.

Prudential own funds are determined in accordance with Regulation (EU) 575/2013 concerning prudential requirements applying to credit institutions and investment firms (CRR).

At end-June 2019, RCI Banque must apply the following capital buffers:

- A capital conservation buffer of 2.5% of total risk-weighted exposures;
- A countercyclical capital buffer applied to some countries as described in CCC1 table below.

Notification by the ECB of the 2018 Supervisory Review and Evaluation Process (SREP) decision

At the beginning of the year, the European Central Bank has notified to RCI Banque its decision regarding the level of additional capital requirement under Pillar 2 (P2R - "Pillar 2 Requirement"). It is set for 2019 at 2%, applicable from 1st March 2019.

I-1 CCC1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

In Millions of euros	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
Breakdown by country												
Argentina	239						16			16	0.01	
Austria	684						48			48	0.02	
Belgium	412						33			33	0.01	
Brazil	2 273						145			145	0.06	
Swiss	929						64			64	0.03	
Czech Republic	238						15			15	0.01	1.25%
Germany	456	8 124					182			182	0.08	
Spain	641	4 383					190			190	0.08	
France	1 624	15 391					702			702	0.30	
Great-Britain	702	4 210					204			204	0.09	1.00%
Hungary	96						8			8	0.00	
Ireland	473						32			32	0.01	
India	32						7			7	0.00	
Italy	814	5 570					272			272	0.12	
South Korea	93	1 495					47			47	0.02	
Luxembourg	70						6			6	0.00	
Morocco	611						44			44	0.02	
Malta	123						25			25	0.01	
Netherlands	787						62			62	0.03	
Norway	3											2.00%
Poland	962						61			61	0.03	
Portugal	872						65			65	0.03	
Romania	306						21			21	0.01	
Russia	65						5			5	0.00	
Sweden	193						15			15	0.01	2.00%
Slovenia	309						20			20	0.01	
Slovakia	39						3			3	0.00	1.25%
Turkey	171						9			9	0.00	
United States	1											
Colombia	485						31			31	0.01	
Croatia	7						1			1	0.00	
Total all countries	**14 705**	**39 173**					**2 331**			**2 331**	**1.00**	**0.11%**

In accordance with the method used to calculate the countercyclical capital buffer, only the own funds requirements stipulated under Article 140(4) of CRD IV are included.

I-2 CCC2 - Amount of institution-specific countercyclical capital buffer

In Millions of euros	Amounts
Total risk exposure amount	33 854
Institution specific countercyclical buffer rate	0.11%
Institution specific countercyclical buffer requirement	37

RCI Banque is not subject to the buffer required for systemically important institutions (Article 131 of the CRD IV), nor to the systemic risk requirement (Article 133 of the CRD IV).

B - OWN FUNDS

COMMON EQUITY TIER ONE ("CET 1")

Common equity Tier 1 capital comprises share capital and the related share premiums, reserves, non-distributed net profit after tax and accumulated other comprehensive income and minority interests after application of transitional provisions concerning prudential filters.

The main prudential filters applying to the group are:

- Exclusion of fair value reserves related to gains and losses on cash flow hedges;
- Exclusion of gains and losses recognized by the institution from valuing liabilities at fair value that are due to changes in the institution's credit standing;
- Exclusion of minority interests ;
- Progressive deduction of deferred tax assets dependent on future profits linked to unused deficits ;
- Intangible assets and consolidated goodwill;
- Prudential valuation adjustments (PVA). Total assets & liabilities valued at fair value represent less than €15 billion, therefore RCI applies the simplified method to calculate this additional adjustment to own equity;
- Irrevocable payment commitments and certificates of association pledged to Single Resolution Funds and Deposit Guarantee and Resolution Funds.

Shareholdings of more than 10% in financial sector entities and deferred tax assets dependent on future profits linked to temporary differences are lower, after application of the threshold, than the twofold common deductible of 17.5% and are therefore weighted by 250% in assets.

No phase-ins are applied in 2019. In 2018, the amount of IDAs at end December 2013 that depended on deferrable deficits linked to future profits were deducted from regulatory capital at 80%.

RCI Banque's CET1 core capital represented almost the entire amount of prudential capital as of June 2019, at 99.9%.

Category 1 capital increased by €19M compared to 31 December 2018 to €4,940M, RCI Banque having included the interim result as of end of June 2019, net of the dividends that RCI Banque planned to pay to its shareholder[3].

[3] Subject to regulator's approval in accordance with Article 26(2) of Regulation (EU) No 575/2013.

ADDITIONAL TIER 1 CAPITAL ("AT1")

This comprises capital instruments, which are free of any repayment incentive or obligation (in particular jumps on yield), as described in Articles 51 and 52 of the CRR.

The RCI Banque group holds no such instruments.

COMMON EQUITY TIER 2 ("CET 2")

This includes subordinated debt instruments with a minimum term of 5 years without advance repayment during these first 5 years, as described in Articles 62 and 63 of the CRR.

These instruments are written down during the five-year period preceding their term.

The RCI Banque group classified €7 million of Diac equity securities in this category.

I-3 Main characteristics of equity instruments

Features	Relevant information
Issuer	DIAC S.A.
Unique identifier	FR0000047821
Governing law(s) of the instrument	French
Eligible at solo/(sub-)consolidated or combined	Eligible at consolidated level (RCI Banque)
Instrument type	T2
Amount recognized in regulatory capital	7 M€
Nominal amount of instrument	1000 FRF or 152.45€
Accounting classification	Subordinated debt
Original date of issuance	1/04/85
Perpetual or dated	Perpetual
Issuer call subject to prior supervisory approval	None
Fixed or floating dividend/coupon	Floating coupon
Coupon rate and any related index	Based on the net result, with a minimum of the TAM (floored at 6.5%) and 130% of the TAM
Existence of step up or other incentive to redeem	No step up or incentive to redeem
Convertible or non-convertible	non-convertible
Write-down features	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated bonds with no enhancement clause. Participating loan stocks are junior to senior debt of the issuer. In the event of company liquidation, notes shall be repaid after the payment of all other liabilities.

Also, the negative difference between the balance of provisions and expected losses is deducted from equity, within the framework of the advanced approach to credit risk. When expected losses are lower than value adjustments and collective impairments, the balance is added to additional equity up to 0.6% of the weighted risks of exposures treated by the "internal rating" method.

No amount was added to Tier 2 equity.

No transitional filter is applied to Tier 2 equity for the RCI group.

I-4 FP1 - Breakdown of regulatory capital by category

In millions of euros	**Amount at disclosure date**	**Regulation (EU) no 575/2013 reference**	**Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013**
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	814	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: Ordinary shares	*100*	*EBA list 26 (3)*	
of which: Instrument type 2	*714*	*EBA list 26 (3)*	
of which: Instrument type 3		*EBA list 26 (3)*	
Retained earnings	2 357	26 (1) (c)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2 001	26 (1)	
Funds for general banking risk		26 (1) (f)	
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
Public sector capital injections grandfathered until 1 January 2018		483 (2)	
Minority Interests (amount allowed in consolidated CET1)		84, 479, 480	
Independently reviewed interim profits net of any fore- seeable charge or dividend	39	26 (2)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**5 212**		

In millions of euros	Amount at disclosure date	Regulation (EU) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Common Equity Tier 1 capital : instruments and reserves			
Additional value adjustments (-)	-43	34, 105	
Intangible assets (net of related tax liability) (-)	-89	36 (1) (b), 37, 472 (4)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (-)	-92	36 (1) (c), 38, 472 (5)	
Fair value reserves related to gains or losses on cash flow hedges	29	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	-83	36 (1) (d), 40, 159, 472 (6)	
Any increase in equity that results from securitised assets (-)		32 (1)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	6	33 (b)	
Defined-benefit pension fund assets (-)		36 (1) (e), 41, 472 (7)	
Direct and indirect holdings by an institution of own CET1 instruments (-)		36 (1) (f), 42, 472 (8)	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		36 (1) (g), 44, 472 (9)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a investment in those entities (< 10% threshold and net of eligible short positions) (-)		36(1)(h),43,45,46,49(2)(3),79,472(10)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a investment in those entities (<10% threshold and net of eligible short positions) (-)		36-1,43,45,47,48-1,49,79,470,472-11	
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		*36 (1) (k)*	
of which: qualifying holdings outside the financial sector (-)		*36 (1) (k) (i), 89 to 91*	
of which: securitisation positions (-)		*36 (1) (k) (ii)243 (1) (b)244 (1) (b)*	
of which: free deliveries (-)		*36 (1) (k) (iii), 379 (3)*	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (-)		36 (1) (c), 38, 48 (1)(a), 470, 472 (5)	
Amount exceeding the 15% threshold (-)		48 (1)	
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		*36 (1) (i), 48 (1) (b),470, 472 (11)*	
Empty Set in the EU			
of which: deferred tax assets arising from temporary differences		*36 (1) (c), 38, 48 (1)(a), 470, 472 (5)*	
Losses for the current financial year (-)		36 (1) (a), 472 (3)	
Foreseeable tax charges relating to CET1 items (-)		36 (1) (l)	
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
of which: filter for unrealised loss		*467*	
of which: filter for unrealised gain		*468*	
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)		36 (1) (j)	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-272**		
Common Equity Tier 1 (CET1) capital	**4 940**		

In millions of euros	Amount at disclosure date	Regulation (EU) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts		51, 52	
of which: classified as equity under applicable accounting standards			
of which: classified as liabilities under applicable accounting standards			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
Public sector capital injections grandfathered until 1 January 2018		483 (3)	
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
of which: instruments issued by subsidiaries subject to phase out		*486 (3)*	
Additional Tier 1 (AT1) capital before regulatory adjustments			
Additional Tier 1 (AT1) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own ATI Instruments (-)		52 (1) (b), 56 (a), 57, 475 (2)	
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		56 (b), 58, 475 (3)	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (< 10% threshold and net of eligible short positions) (-)		56 (c), 59, 60, 79, 475 (4)	
Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (< 10% threshold net of eligible short positions) (-)		56 (d) , 59, 60, 79, 475 (4)	
Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
of which: Own capital instruments			
of which: non-significant investments in the capital of other financial sector entities			
of which: significant investments in the capital of other financial sector entities			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
of which: Own capital instruments			
of which: non-significant investments in the capital of other financial sector entities			
of which: significant investments in the capital of other financial sector entities			
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
Qualifying T2 deductions that exceed the T2 capital of the institution (-)		56 (e)	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital			
Tier 1 capital (T1 = CET1 + AT1)	**4 940**		

In millions of euros	Amount at disclosure date	Regulation (EU) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	7	62, 63	
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
Public sector capital injections grandfathered until 1 January 2018		483 (4)	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
of which: instruments issued by subsidiaries subject to phase out		*486 (4)*	
Credit risk adjustments		62 (c) et (d)	
Tier 2 (T2) capital before regulatory adjustments	**7**		

Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated bans (-)		63 (b) (i), 66 (a), 67, 477 (2)	
Holdings of the T2 instruments and subordinated bans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		66 (b), 68, 477 (3)	
Direct and indirect holdings of the T2 instruments and subordinated loans 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) (-)		66 (c), 69, 70, 79, 477 (4)	
of which new holdings not subject to transitional arrangements			
of which holdings existing before 1 January 2013 and subject to transitional arrangements			
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (-)		66 (d), 69, 79, 477 (4)	
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
of which: Own capital instruments			
of which: non-significant investments in the capital of other financial sector entities			
of which: significant investments in the capital of other financial sector entities			
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
of which: Own capital instruments			
of which: non-significant investments in the capital of other financial sector entities			
of which: significant investments in the capital of other financial sector entities			
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
Total regulatory adjustments to Tier 2 (T2) capital			
Tier 2 (T2) capital	**7**		

Total capital (TC = T1 + T2)	**4 947**		

In millions of euros	Amount at disclosure date	Regulation (EU) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/ 2013(i.e. CRR residual amounts)			
of which: Adjustment of the 15 % threshold, part of the significant investments of the CET1, items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts)		*472,472(5),472(8)(b),472(10)(b),472(11)(b)*	
of which: Adjustment of the 15 % threshold, deferred tax assets part, items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts)			
of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)		*475,475(2)(b),475(2)(c),475(4)(b)*	
Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts)		*477,477(2)(b),477(2)(c),477(4)(b)*	
Total risk weighted assets	**33 854**		

Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.59%	92 (2) (a), 465	
Tier 1 (as a percentage of risk exposure amount)	14.59%	92 (2) (b), 465	
Total capital (as a percentage of risk exposure amount)	14.61%	92 (2) (c)	
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or 0-SII buffer), expressed as a percentage of risk exposure amount)	2.61%	CRD 128, 129, 130	
of which: capital conservation buffer requirement	*2.50%*		
of which: countercyclical buffer requirement	*0.11%*		
of which: systemic risk buffer requirement			
of which: Global Systemically Important Institution (G-511) or Other Systemically Important Institution (0-SII) buffer		*CRD 131*	
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.09%	CRD 128	
[non relevant in EU regulation]			
[non relevant in EU regulation]			
[non relevant in EU regulation]			

Capital ratios and buffers			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (< 10% threshold and net of eligible short positions)		36-1,45,46,472-10,56,59,60,475-4,66,69,70,477-4	
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (< 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
Empty Set in the EU			
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	

Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	171	62	
Credit risk adjustments included in T2 in respect of exposures subject to internai ratings-based approach (prior to the application of the cap)		62	
Cap for inclusion of credit risk adjustments in T2 under internai ratings-based approach	99	62	

In millions of euros	Amount at disclosure date	Regulation (EU) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) et (5)	
Amount excluded from CET1 due to cap (excess over cap atter redemptions and maturities)		484 (3), 486 (2) et (5)	
Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) et (5)	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) et (5)	
Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) et (5)	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) et (5)	

C - CAPITAL REQUIREMENTS

Prudential requirements are determined in accordance with transitional texts and arrangements applying from 1st January 2014 to credit institutions and investment firms, as published in the Official Journal of the European Union on 26 June 2013: Regulation (EU) 575/2013 and Directive 2013/36/EU, transposed by Order 2014-158 of 20 February 2014. This upward trend in capital requirements primarily reflects the overall increase in activity of the RCI Banque group.

RCI Banque does not own any non-consolidated financial institution with an actual amount of capital less than its capital requirement.

I-5 OV1- Overview of RWA

In Millions of euros	**RWA**		**Min. capital requirements**
	06/2019	**03/2019**	**06/2019**
Credit risk (excluding CCR)	29 150	28 931	2 332
Of which the standardised approach	*12 716*	*13 201*	*1 017*
Of which the foundation IRB (FIRB) approach	*224*	*167*	*18*
Of which the advanced IRB (AIRB) approach	*16 210*	*15 563*	*1 297*
Of which equity IRB under the simple RWA or the IMA			
Counterparty Credit Risk	317	251	25
Of which mark to market			
Of which original exposure			
Of which the standardised approach	*80*	*66*	*6*
Of which internal model method (IMM)			
Of which REA for contributions to the default fund of a CCP			
Of which Credit Valuation Adjustment	*237*	*185*	*19*
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk			
Of which the standardised approach			
Of which IMA			
Large exposures			
Operational risk	3 502	3 502	280
Of which basic indicator approach			
Of which standardised approach	*3 502*	*3 502*	*280*
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% RW)	885	762	71
Floor adjustment			
Total	**33 854**	**33 446**	**2 708**

D - MANAGEMENT OF INTERNAL CAPITAL

The internal capital requirement results from an assessment of the capital needed to deal with all RCI Banque's risks (Pillar I + Pillar II).

It equals the floor value of capital that the group's management considers necessary to tackle its risk profile and strategy.

Capital is managed by the "Accounting and Performance Control" and "Finance and Treasury" Divisions with the endorsement of the Chief Risk Officer and Chief Executive Officer under the control of RCI Banque's Board of Directors.

The RCI Banque group's capital management policy aims to optimize the use of own funds to maximize short and long- term yield for the shareholder, while maintaining a Core Tier one ratio that is consistent with the target rating needed to optimize refinancing.

The RCI group accordingly determines its internal solvency target in accordance with its goals and in compliance with regulatory thresholds.

For that purpose, the group implements an Internal Capital Adequacy Assessment Process (ICAAP) that enables it to meet the following two main aims:

- Periodically assess, and preserve in the medium term, adequate capital requirements to cover all types of risks incurred by the RCI Banque group, both under normal "centered" and stressed conditions. The said conditions are simulated using stress scenarios at least once a year.
- Constantly ensure that the RCI group has market access by enabling it in all stress situations to maintain its rating, solvency ratios and other indicators analyzed by the market, in direct comparison with the competition.

As such, and in accordance with regulatory texts, the ICAAP adopts a multidimensional approach that more particularly takes into account the following general principles:

- **Alignment with the group's risk profile and strategy**: the ICAAP is incorporated into the group's key processes: definition of economic models, the budgetary and forecasting process, the risk identification process, the risk appetite framework, the ILAAP (Internal Liquidity Adequacy Assessment Process) and the recovery plan.
- **Proportional approach based on a periodic review** of its risk appetite, its profile and its level of capital geared to its economic model, size and complexity.
- **Planning and setting risk limits**: RCI forecasts its own funds requirements based on the forecasting process fixed by the ICAAP and sets limits enabling it to remain consistent with the risk appetite approved by RCI Banque's Board of Directors.
- **Monitoring, control and supervision**: RCI regularly monitors the Risk Appetite Framework and the ICAAP indicators and thresholds at all levels of the company to ensure it complies with the set thresholds.

E - LEVERAGE RATIO

The Basel III/CRD IV regulations introduce the leverage ratio, the main aim of which is to serve as an additional measure to capital requirement based on weighted risks in order to avoid excessive development of exposures in relation to own funds.

Article 429 of the capital requirements regulation (CRR) specifies the methods for calculating the leverage ratio; it has been modified and replaced with delegated regulation (EU) 62/2015 of 10 October 2014, published in the OJEU on 18 January 2015. The leverage ratio shall be calculated as the ratio of the institution's Tier 1 capital to that of institution's total exposure, which includes balance sheet assets and off-balance sheet assets measured using a prudential approach.

Since 1st January 2015, disclosure of the leverage ratio has been mandatory (Article 521-2a of the CRR) at least once a year (CRR a.433), together with the financial statements (BCBS270 Article 45).

At the end of the current period of observation (2013-2016), banking institutions shall, from 1st January 2018, meet a minimum leverage ratio, set at 3% by the Basel Committee.

The RCI Banque group's leverage ratio, estimated according to CRR/CRD IV rules and factoring in the delegated regulation of October 2014, was 8.40% at 30 June 2019.

I-6 LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

In millions of euros

Total assets as per published financial statements	**56 599**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-163
Adjustments for derivative financial instruments	184
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 559
Other adjustments	-351
Leverage ratio total exposure measure	**58 828**

RCI has no unrecognized fiduciary assets, in accordance with Article 429.11 of the CRR.

I-7 LRCom - Leverage ratio

In millions of euros

On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	56 112
Asset amounts deducted in determining Tier 1 capital	-231
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**55 881**
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	388
Total derivatives exposures	**388**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2 859
Adjustments for conversion to credit equivalent amounts	-300
Total other off-balance sheet exposures	**2 559**
Capital and total exposure mesure	
Tier 1 capital	4 940
Leverage ratio total exposure measure	58 828
Leverage ratio	**8.40%**

Choice on transitional arrangements for the definition of the capital measure : Transitionary definition

I-8 LRSpl - Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

In millions of euros

Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	**56 112**
Trading book exposures	
Banking book exposures, of which:	56 112
Exposures treated as sovereigns	*4 020*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*52*
Institutions	*1 368*
Retail exposures	*31 850*
Corporate	*16 660*
Exposures in default	*239*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1 923*

I-9 LRQua - Statement of qualitative elements

Descriptions of the procedures used to manage the excessive leverage risk	RCI Banque monitors its leverage ratio on a monthly basis and keeps the Executive Committee informed thereof. The ratio is also stated in the balanced scorecard of risks provided quarterly to the Board of Directors' Risks Committee. An internal limit has been set and a warning system has been put in place.
Description of factors having an impact on the leverage ratio during the period to which the leverage ratio disclosed by the institution refers	RCI Banque disclosed a Basel III leverage ratio of 8.40% at the end of June 2019 against 8.89% at the end of December 2018. The ratio decreased slowly due to growth of the total exposure measure, linked to the growth of the Retail productive assets.

F - MANAGEMENT OF THE LEVERAGE RATIO

Management of the leverage ratio consists both in calibrating "Tier 1" capital (the numerator of the ratio) and adjusting the group's leveraged exposure (denominator of the ratio) to meet the target ratio of 5% that the group has set, higher than the minimum of 3% recommended by the Basel Committee.

Monthly monitoring of the leverage ratio ensures that it is in line with the set target.

II - CREDIT RISK

A - EXPOSURE TO THE CREDIT RISK

The Exposure at Default (EAD) includes both balance sheet and off-balance sheet credit exposures. Moreover, the prudential scope is different from the accounting scope of consolidation. The credit exposure values in the above table are thus different from those in Note 17 to the consolidated financial statements concerning financial assets by remainder of the term.
RCI Banque uses three risk-classification levels for receivables and writes them down on an individual or collective basis. The valuation presentation and principles are described in part A of the notes to the consolidated financial statements.

These classification levels are:

- Bucket 1: no deterioration or insignificant deterioration in credit risk from origination;
- Bucket 2: significant deterioration of credit risk from origination or non investment grade financial counterparty;
- Bucket 3: deterioration such as ascertained loss (category of default).

II-1 CR3 - Credit risk mitigation techniques – overview

In millions of euros	Exposures unsecured	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	51 904		878		
Debt securities	1 322				
Total	**53 227**		**878**		
Of which defaulted	*625*				

II-2 CR1-A - Credit quality of exposures by exposure class and instrument

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks							
Institutions							
Corporates	64	11 802	-28	-50		11 788	-7
Of which: SMEs	*35*	*2 669*	*-16*	*-17*		*2 671*	*-5*
Retail	396	26 911	-270	-266		26 771	-23
Secured by real estate property							
Qualifying revolving							
Other retail	*396*	*26 911*	*-270*	*-266*		*26 771*	*-23*
SMEs	*72*	*2 825*	*-44*	*-32*		*2 820*	*-9*
Non-SMEs	*324*	*24 085*	*-226*	*-233*		*23 951*	*-14*
Equity							
Total IRB approach	**460**	**38 713**	**-298**	**-315**		**38 559**	**-30**
Central governments or central banks	0	4 027		0		4 027	0
Regional governments or local authorities	1	58				59	0
Public sector entities		0				0	
Multilateral development banks							
International organisations		15				15	
Institutions		1 441				1 441	
Corporates	63	6 214	-30	-59		6 188	-13
Of which: SMEs	*57*	*3 380*	*-28*	*-33*		*3 375*	*-2*
Retail	115	6 789	-69	-66		6 768	-14
Of which: SMEs	*24*	*1 225*	*-10*	*-12*		*1 228*	*-2*
Secured by mortgages on immovable property							
Items associated with particularly high risk							
Covered bonds							
Claims on inst. and corporates with a ST credit assessment		87				87	
Collective investments undertakings		114				114	
Equity exposures		272				272	
Other exposures		1 764				1 764	
Total standardised approach	**179**	**20 782**	**-99**	**-125**		**20 736**	**-27**
Total	**638**	**59 495**	**-398**	**-441**		**59 295**	**-56**
Of which: Loans	*625*	*52 158*	*-397*	*-435*		*51 950*	*-58*
Of which: Debt securities		*1 208*		*-2*		*1 207*	*1*
Of which: Off-balance-sheet exposures	*1*	*3 036*	*0*	*-4*		*3 033*	*1*

II-3 CR1-B - Credit quality of exposures by industry or counterparty types

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks	0	4 027		0		4 027	0
Institutions		1 509				1 509	
Other financial corporations	1	73				74	0
Households	408	29 700	-285	-272		29 552	-26
Non-financial corporations	229	22 036	-113	-169		21 983	-30
Of which: Manufacturing	*10*	*981*	*-4*	*-7*		*980*	*-1*
Of which: Construction	*16*	*1 012*	*-5*	*-8*		*1 014*	*-1*
Of which: Wholesale and retail trade	*162*	*15 639*	*-91*	*-119*		*15 590*	*-22*
Of which: Transport ans storage	*6*	*495*	*-2*	*-4*		*496*	*-1*
Of which: Professional, scientific and technical activities	*4*	*316*	*-1*	*-3*		*316*	*0*
Of which: Administrative and support service activities	*14*	*1 869*	*-4*	*-15*		*1 863*	*-2*
Of which: Human health services and social work activities	*2*	*366*	*-1*	*-3*		*364*	*-1*
Of which: Other sectors	*16*	*1 359*	*-5*	*-10*		*1 360*	*-2*
Other exposures		2 376				2 376	
Total	**638**	**59 720**	**-398**	**-441**		**59 520**	**-56**

II-4 CR1-C - Credit quality of exposures by geographical area

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
France	241	20 480	-148	-112		20 461	-11
Germany	41	8 831	-21	-29		8 821	-4
Great-Britain	27	5 723	-21	-113		5 618	-8
Italy	101	6 685	-58	-31		6 697	-10
Spain	54	5 058	-41	-29		5 043	-11
Brazil	39	2 740	-18	-39		2 723	-9
South Korea	35	1 651	-30	-16		1 641	5
Swiss	6	932	-1	-4		932	0
Portugal	8	1 017	-4	-9		1 011	0
Poland	10	1 017	-8	-10		1 009	-2
Netherland	3	824	-1	-3		823	0
Other countries	73	4 763	-46	-47		4 743	-6
Total	**638**	**59 720**	**-398**	**-441**		**59 520**	**-56**

II-5 CR1-D - Ageing of past-due exposures

In millions of euros	Gross carrying values					
	≤ 30 days	> 30 days and ≤ 60 days	> 60 days and ≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year
Loans	302	247	51	63	38	56
Debt securities						
Total exposures	**302**	**247**	**51**	**63**	**38**	**56**

II-6 CR1-E - Non-performing and forborne exposures

In millions of euros	Gross carrying amount of performing and non-performing exposures						
		Of which performing but past due > 30 to 90 d	Of which performing forborne	Of which non-performing	Of which defaulted	Of which impaired	Of which forborne
Loans	52 783	44	63	625	625	625	57
Debt securities	1 322						
Off-balance-sheet exposures	3 085			1	1		

	Accumulated impairment and provisions and negative fair-value adjustments due to credit risks				Collaterals and financial guarantees received	
	On performing exposures	Of which forborne	On non-performing exposures	Of which forborne	On non-performing exposures	Of which forborne exposures
Loans	-434	0	-401	-43	80	3
Debt securities	-2					
Off-balance-sheet exposures	-4		0			

II-7 CR2-A - Changes in the stock of general and specific credit risk adjustments

In millions of euros	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**141**	**650**
Increases due to amounts set aside for estimated loan losses during the period	49	131
Decreases due to amounts reversed for estimated loan losses during the period	-20	-86
Decreases due to amounts taken against accumulated credit risk adjustments	-15	-23
Transfers between credit risk adjustments		
Impact of exchange rate differences	-1	14
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	0	1
Closing balance	**154**	**687**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	8	
Specific credit risk adjustments directly recorded to the statement of profit or loss	55	

II-8 CR2-B - Changes in the stock of defaulted and impaired loans and debt securities

In millions of euros	GV defaulted exposures
Opening balance	**622**
Loans and debt securities that have defaulted or impaired since the last reporting period	209
Returned to non-defaulted status	-151
Amounts written off	-55
Other changes	
Closing balance	**625**

Defaulting exposures and valuation adjustments on “other categories of exposures” are non-significant.

B - RISK-WEIGHTED ASSETS

RCI Banque uses the advanced method to measure credit risk for customer outstandings in the following countries: France, Germany, Spain, Italy, South Korea and the United Kingdom. For all other exposures and risks, RCI Banque uses the standardized method.

C - ADVANCED METHOD

RCI Banque has adopted the most advanced methods proposed by the reform known as Basel II/III to measure and monitor its credit risks, all parameters are therefore estimated internally. The values thus measured are applied to calculate exposure risks on the Retail, Corporate and Dealer customers. Six big countries (Germany, Spain, France, Italy, South Korea and United Kingdom) are treated using the advanced approach based on internal ratings.

a) Segmentation of exposures by the advanced method

All figures relating to credit risk exposures concern gross exposures, i.e. before application of Credit Conversion Factors and Credit Risk Mitigation techniques.

The RWA density (weighted risks/exposures) totals 39% for the Retail Customer portfolio and 51% for the overall Corporate portfolio using the advanced internal rating method and 101% for the basic internal rating method.

The conversion factors applied to off-balance sheet unit exposures are regulatory rates (exclusively 100%). The calculated average rates are at 100% for the customer financing commitments (representing €1,112M), and 100% for the corporate approvals (representing €757M).

II-9 CR6 IRB approach – Credit risk exposures by portfolio and PD range

In Millions of euros PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity (Years)	RWA	RWA density	EL	Provisions
Portfolio Corporates FIRB												
0.00 to <0.15	7			7	0.03%	28	45.00%	2.5	1	15.32%		
0.15 to <0.25												
0.25 to <0.50	47			47	0.35%	13	45.00%	2.5	29	61.99%	0	
0.50 to <0.75												
0.75 to <2.50	90			90	0.99%	63	45.00%	2.5	86	95.57%	0	
2.50 to <10.00	77			77	3.28%	10	45.00%	2.5	107	139.64%	1	
10.00 to <100.00	0			0	19.29%	2	45.00%	2.5	0	250.00%	0	
100.00 (Default)	0			0	100.00%	2	45.00%	2.6			0	
Sub-total Corporate FIRB	**221**			**221**	**1.67%**	**118**	**45.00%**	**2.5**	**224**	**101.34%**	**2**	
Portfolio Corporates AIRB												
0.00 to <0.15	274	78	100%	352	0.04%	495	40.47%	2.3	48	13.77%	0	0
0.15 to <0.25												
0.25 to <0.50	951	53	100%	970	0.34%	552	21.71%	1.4	235	24.24%	1	-1
0.50 to <0.75	2 344	70	100%	1 913	0.73%	440	15.89%	1.4	405	21.19%	2	-2
0.75 to <2.50	4 332	252	100%	4 534	1.31%	4 327	22.83%	1.4	1 889	41.67%	13	-10
2.50 to <10.00	2 517	201	100%	2 612	4.72%	2 482	25.90%	1.5	1 809	69.27%	28	-17
10.00 to <100.00	407	102	100%	508	25.67%	540	40.77%	2.2	1 009	198.53%	54	-20
100.00 (Default)	63	1	100%	64	100.00%	144	83.45%	1.2	162	253.00%	41	-28
Sub-total Corporate AIRB	**10 888**	**757**	**100%**	**10 952**	**3.61%**	**8 980**	**24.01%**	**1.5**	**5 559**	**50.76%**	**139**	**-78**
Portfolio Retail												
0.00 to <0.15	2 914	311	100%	3 225	0.12%	511 979	43.43%		409	12.69%	2	-2
0.15 to <0.25	1 497	97	100%	1 594	0.22%	245 641	36.14%		255	16.00%	1	-1
0.25 to <0.50	3 401	109	100%	3 510	0.31%	383 518	47.16%		940	26.77%	5	-4
0.50 to <0.75	4 781	95	100%	4 876	0.53%	386 029	35.29%		1 363	27.96%	9	-13
0.75 to <2.50	9 333	350	100%	9 683	1.19%	773 817	45.00%		4 772	49.28%	53	-79
2.50 to <10.00	3 003	134	100%	3 137	4.50%	240 498	42.57%		1 902	60.63%	60	-61
10.00 to <100.00	871	16	100%	887	24.41%	74 948	43.52%		856	96.52%	95	-105
100.00 (Default)	395	0	100%	396	100.00%	48 732	84.24%		154	38.97%	331	-270
Sub-total Retail	**26 194**	**1 112**	**100%**	**27 306**	**3.34%**	**2 665 162**	**43.08%**		**10 651**	**39.01%**	**556**	**-535**
Total (all portfolios)	**37 303**	**1 870**	**100%**	**38 479**	**3.41%**	**2 674 260**	**37.66%**		**16 434**	**42.71%**	**696**	**-614**

b) Borrower data dimension - Probability of Default (PD) parameter

Monthly revaluation of customer risks is based on:

- A model for ranking the risk of default;
- A method for quantifying the related probability of default.

i) Risk ranking model

The ranking of counterparty risk results from a score that includes both the customer's characteristics and the latter's payment record. The methodology is adjusted to each customer typology to factor in the nature of the available information generally used by business experts to assess the risks.

The table below provides the mapping of the developed models.

ii) Allocation to a class of risk and quantification of the PD related to each class

The rating scales feature a number of classes adjusted to the granularity of the portfolio. Retail customers are divided into ten classes for the sound portfolio and one default class; Corporate and Dealer portfolios are divided into seven classes.

The required degree of reliability for internal rating has nonetheless meant that each "country/customer segment" portfolio has been broken down in a specific manner: for a given segment, the risk attached to a particular class in France, measured by its representative PD, is different from the risk attached to the same class in Spain.

The PD associated with each class is calculated by factoring in historically observed default rates.

II-10 Segmentation of exposures by the advanced method and average PD by country

Category of exposure	IRBA countries	Average sound portfolio PD at 30/06/2019
Retail customers	Germany	1.24%
	Spain	1.18%
	France	1.89%
	Italy	1.43%
	United Kingdom	2.07%
	South Korea	1.05%
Small and medium-sized companies	Germany	2.05%
	Spain	3.76%
	France	3.80%
	Italy	4.55%
	United Kingdom	1.59%
	South Korea	1.46%
Large corporations	Germany	2.63%
	Spain	4.40%
	France	3.49%
	Italy	3.06%
	United Kingdom	1.28%

c) Transaction data dimension – Loss given default (LGD) parameter

Economic losses are estimated using discounted recovery flows for Retail Customers and Corporates, or debt write- offs for the car dealers, on the basis of historical data generally going back at least 7 years. Recovery costs are factored in according to the management phases involved. After analysis, transactions have been grouped into segments representing homogeneous loss levels.

The quantifying of these losses per segment results from a statistical model the main vectors of which are a generational analysis of recoveries and the speed of collection.

II-11 Segmentation of exposures by the advanced method and average LGD by country

Category of exposure	IRBA countries	Population group segmentation	Type of model	Intenal/External model	Average sound portfolio LGD
Retail individuals **SME** **Large companies**	France	Credit	Statistical	Internal	43.10%
		Leasing			43.80%
	Germany	Credit	Statistical	Internal	23.60%
		Leasing			33.10%
	Spain	Credit VN	Statistical	Internal	44.50%
		Credit VO			61.00%
		Leasing			40.40%
	Italy	Single segment	Statistical	Internal	50.20%
	United Kingdom	Single segment	Statistical	Internal	49.30%
	South Korea	Single segment	Statistical	Internal	54.90%
Dealers	G5(*)	R1 VN	Combined	Internal	12.10%
		R1 others			22.90%
		R2			21.00%

(*) G5: France, Germany, Spain, Italy, United Kingdom

d) Procedures for monitoring internal ratings

The results of the internal rating process, the performance of the models and the main data items making it up are monitored monthly by the modeling teams.

At least once a year, observed changes lead to a formal analysis according to a standard protocol described in a procedure.

Differences between the models' forecasts and the actual figures are analyzed and summarized in a formal report that also includes a quantification of the impact on the capital requirement.

Elements of the performance of the rating models are also reported twice a year to the Executive Committee during a dedicated presentation.

The various elements of internal rating and of tests of the process produced by the modeling teams are reviewed independently by the model validation team of the Risk Control Unit to ensure their adequacy and their regulatory compliance.

II-12 CR8 - RWA flow statements of credit risk exposures under the IRB approach

The purpose of this section is to depict the root cause of RWA variation by quarterly step.

In million of euros	RWA amounts	Capital requirements
RWA at 31/12/2018	**15 437**	**1 235**
Asset size	345	28
Asset quality	-104	-8
Model updates	-52	-4
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	104	8
Other	0	0
RWA at 31/03/2019	**15 730**	**1 258**

Between December 2018 and March 2019, the level of RWAs has increased due to the rise in outstandings and to foreign exchange variation. The asset quality and incidentally the update of models partially offset the rise.

In million of euros	RWA amounts	Capital requirements
RWA at 31/03/2019	**15 730**	**1 258**
Asset size	844	68
Asset quality	-39	-3
Model updates	0	0
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-101	-8
Other	0	0
RWA at 30/06/2019	**16 434**	**1 315**

The upward variation in RWAs between the last two quarters is due to the increase in outstandings on the portfolio under the advanced model while both the customer segments mix and the foreign exchange variation offset the rise.

D - STANDARDIZED METHOD

The credit risk exposures treated using the standardized method comprise financed sales outstandings of subsidiaries not treated using the advanced method, debts to credit institutions and central banks, and all other consolidated assets that are not credit obligations.

In order to calculate the capital requirement for credit risk under the standardized method, RCI Banque uses Moody's, the external credit rating agency, for sovereigns, international organizations, and corporate establishments and investments. Reconciliation of these ratings with the credit quality steps provided for under the regulations complies with the supervisor's requirements. Beyond this framework, there is no use of any external rating that cannot be applied directly. As regards unrated exposures, the RCI Banque group applies the regulatory weightings in accordance with the CRR.

For hedge transactions, the values of counterparty credit risk exposures on interest-rate or forex derivatives are determined by the market price method, adding, to the current replacement cost, the potential future credit exposure based on the remaining term. Such transactions still concern countries not covered by EMIR regulations.

II-13 CR4 - Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects

In Millions of euros	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
Central governments or central banks	4 005	22	4 005	11	647	16.12%
Regional government or local authorities	52	6	52	3	21	38.70%
Public sector entities	0		0		0	100.00%
Multilateral development banks						
International organisations	15		15			
Institutions	1 413	28	1 413	9	309	21.72%
Corporates	5 673	483	5 495	357	5 784	98.82%
Retail	6 316	407	6 316	284	4 736	71.77%
Secured by mortgages on immovable property						
Exposures in default	78	1	72	1	88	121.68%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	36	51	36	10	12	25.87%
Collective investment undertakings	114		114		114	100.00%
Equity	272		272		619	227.28%
Other items	1 743	5	1 743	5	1 350	77.26%
Total	**19 717**	**1 002**	**19 533**	**680**	**13 681**	**67.69%**

CRM: Credit Risk Mitigation

CCF: Credit Conversion Factor

II-14 CR5 - Standardized approach – Exposures by asset classes and risk weights

In Millions of euros | **Risk weight**

Asset classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	of which unrated
Central governments or central banks	3 413				7		268		205		123					4 016	
Regional government or local authorities					42				13							55	55
Public sector entities									0							0	0
Multilateral development banks																	
International organisations	15															15	
Institutions					1 341		81		0							1 422	1 319
Corporates					18		72		5 763							5 853	5 763
Retail								6 599								6 599	6 599
Secured by mortgages on immovable property																	
Exposures in default									41	31						73	72
Higher-risk categories																	
Covered bonds																	
Inst. and corporates with a ST credit assessment					44					2						46	2
Collective investment undertakings									114							114	114
Equity									41		231					272	272
Other items	0				497				1 251							1 748	1 748
Total	**3 428**				**1 949**		**421**	**6 599**	**7 428**	**34**	**354**					**20 213**	**15 945**

E - CREDIT RISK MITIGATION TECHNIQUES

II-15 CR7 - IRB – Effect on RWA of credit derivatives used as CRM techniques

In Millions of euros	Pre-credit derivatives RWA	Actual RWA
Exposures under FIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs		
Corporates – Specialised lending		
Corporates – Other	224	224
Exposures under AIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs	1 198	1 198
Corporates – Specialised lending		
Corporates – Other	4 361	4 361
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs		
Retail – Qualifying revolving		
Retail – Other SMEs	1 279	1 279
Retail – Other non-SMEs	9 372	9 372
Equity IRB		
Other non credit obligation assets		
Total	**16 434**	**16 434**

F - COUNTERPARTY CREDIT RISK

EXPOSURE TO COUNTERPARTY CREDIT RISK

II-16 CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

In Millions of euros	Notional	Replacement cost/current market value	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market							
Original exposure							
Standardised approach		295				295	80
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
Total							**80**

RWAs on counterparty credit risk are based on exposure on derivatives, to which an add-on is allocated. The exposure is then weighted by risk in accordance with the standard method – based on counterparties' credit quality.

II-17 CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights

In Millions of euros	Risk weight									
	0%	10%	20%	50%	75%	100%	150%	Others	Total	Of which unrated
Central governments or central banks										
Regional government or local authorities										
Public sector entities										
Multilateral development banks										
International organisations										
Institutions			45	25		0			70	44
Corporates			0	1		7			8	7
Retail										
Inst. and corporates with a ST credit assessment			2						2	
Other items										
Total			**48**	**25**		**7**			**80**	**51**

II-18 CCR5-A - Impact of netting and collateral held on exposure values

In Millions of euros	Gross FV or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	295	53	243	185	58
SFTs					
Cross-product netting					
Total	**295**	**53**	**243**	**185**	**58**

II-19 CCR5-B - Composition of collateral for exposures to CCR

In Millions of euros	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency		183	52	10		
Cash – other currencies		2	11			
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						10
Total		**185**	**62**	**10**		**10**

II-20 CCR8 - Exposures to CCPs

In Millions of euros	EAD (post-CRM)	RWA
Exposures to QCCPs (total)		**12**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	11	2
(i) of which OTC derivatives	*11*	*2*
(ii) of which Exchange-traded derivatives		
(iii) of which Securities financing transactions		
(iv) of which Netting sets where cross-product netting has been approved		
Segregated initial margin	52	
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)		
(i) of which OTC derivatives		
(ii) of which Exchange-traded derivatives		
(iii) of which Securities financing transactions		
(iv) of which Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

III - CREDIT VALUATION ADJUSTMENT RISK

For all over-the-counter derivatives, if derivatives recognized as credit protection are not used, the RCI Banque group determines a capital requirement for "Credit valuation adjustment" (CVA) risk.

This capital charge is designed to cover losses in the event of downgraded quality of the counterparty, entailing a decrease in the value of the derivatives.

The requirement is calculated by the standardized method defined in Article 384 of regulation (EU) 575/2013.

III-1 CCR2 - Credit valuation adjustment (CVA) capital charge

In Millions of euros	**Exposure value**	**RWA**
Total portfolios subject to the Advanced CVA capital charge		
(i) VaR component (including the 3×multiplier)		
(ii) Stressed VaR component (including the 3×multiplier)		
All portfolios subject to the Standardised CVA capital charge	286	237
Based on the original exposure method		
Total subject to the CVA capital charge	**286**	**237**

IV - LIQUIDITY RISK

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) sets a minimum standard for bank liquidity. It is intended to ensure that a bank has an adequate level of unencumbered High Quality Liquid Assets (HQLA), which can be converted into cash to enable it to meet its liquidity needs for 30 calendar days in a stress scenario. The LCR is thus defined as the ratio of HQLAs to net cash outflows over the next 30 days. Net outflows represent the expected outflows less expected inflows or 75% of expected outflows, whichever is the lower.

RCI Banque's liquidity is managed by the Finance and Treasury Division that centralizes funding for European entities and oversees balance sheet management for all group entities throughout the world.

For each quarter, the following table shows the average values of HQLAs, Inflows and Outflows calculated as the simple average of month-end observations over the twelve months preceding the end of each quarter.

The bank's average HQLA during the 12-month period ending on 30 June 2019 was €1,741m. It amounted to €1,609m on average during the 12-month period ending on 30 March 2019. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals. On 30 June 2019, the average duration of the bond portfolio was below one year.

In addition, RCI Banque also invested in a fund whose assets are made of debt securities issued by European agencies, sovereigns and supranational issuers. Its average exposure to credit risk is six years with a limit at nine years. The fund is aiming a very low exposure to the interest rate risk with a maximum of two years.

Over the 12-month period ending on 30 June2019, EUR and GBP denominated HQLA represented on average 77.7% and 14.9% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on 30 March 2019, which were 77.8% for EUR and 14.5% for GBP.

RCI Banque Inflows mainly come from commercial and financial assets, while Outflows are mostly explained by debt repayment and the deposit run-off factor.

The liquidity requirement linked to derivative transactions is limited and represents non-material amounts.

The average LCR over the 12-month period ending on 30 June 2019 came at 252%, compared to 245% on average over the 12-month period ending on 30 March 2019.

IV-1 LIQ1 - Liquidity Coverage Ratio (LCR)

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	**30/09/2018**	**31/12/2018**	**31/03/2019**	**30/06/2019**	**30/09/2018**	**31/12/2018**	**31/03/2019**	**30/06/2019**
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets (HQLA)								
Total high-quality liquid assets					**1 470**	**1 557**	**1 609**	**1 741**
Cash Outflows								
Retail deposits and deposits from small business customers	12 243	12 472	12 624	12 710	1 278	1 303	1 319	1 329
Stable deposits								
Less stable deposits	*12 243*	*12 472*	*12 624*	*12 710*	*1 278*	*1 303*	*1 319*	*1 329*
Unsecured wholesale funding	764	714	709	767	583	521	506	575
Operational deposits and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	*301*	*323*	*339*	*355*	*120*	*129*	*136*	*162*
Unsecured debt	*463*	*392*	*370*	*412*	*463*	*392*	*370*	*412*
Secured wholesale funding					56	49	44	42
Additional requirements	172	180	173	257	172	180	173	179
Outflows related to derivative exposures and other collateral requirements	*172*	*180*	*173*	*170*	*172*	*180*	*173*	*170*
Outflows related to loss of funding on debt products								
Credit and liquidity facilities				*87*				*9*
Other contractual funding obligations	1 552	1 506	1 523	1 471	480	461	463	451
Other contingent funding obligations	2 628	2 643	2 649	2 556	131	132	132	162
Total Cash Outflows					**2 701**	**2 645**	**2 636**	**2 737**
Cash Inflows								
Secured lending (eg reverse repos)								
Inflows from fully performing exposures	4 037	4 076	4 142	4 133	2 335	2 346	2 359	2 334
Other cash inflows	2 259	2 235	2 286	2 346	745	732	733	770
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
Total Cash Inflows	**6 296**	**6 311**	**6 428**	**6 479**	**3 080**	**3 078**	**3 092**	**3 103**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	*6 296*	*6 311*	*6 428*	*6 479*	*3 080*	*3 078*	*3 092*	*3 103*
Total HQLA					1 470	1 557	1 609	1 741
Total net Cash Outflows					675	661	659	692
Liquidity Coverage Ratio					**218%**	**237%**	**245%**	**252%**

TABLES

PART	REF	Title
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I-A	CCC2	Amount of institution-specific countercyclical capital buffer
I-B	CCA	Main characteristics of equity instruments
I-B	FP1	Breakdown of regulatory capital by category
I-C	OV1	Overview of RWA
I-E	LRSum	Summary reconciliation of accounting assets and leverage ratio exposures
I-E	LRCom	Leverage ratio
I-E	LRSpl	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
I-E	LRQua	Statement of qualitative elements
II-A	CR3	Credit risk mitigation techniques – overview
II-A	CR1-A	Credit quality of exposures by exposure class and instrument
II-A	CR1-B	Credit quality of exposures by industry or counterparty types
II-A	CR1-C	Credit quality of exposures by geographical area
II-A	CR1-D	Ageing of past-due exposures
II-A	CR1-E	Non-performing and forborne exposures
II-A	CR2-A	Changes in the stock of general and specific credit risk adjustments
II-A	CR2-B	Changes in the stock of defaulted and impaired loans and debt securities
II-C-a	CR6	Credit risk exposures by portfolio and PD range
II-C-b	CR6 bis	Segmentation of exposures by the advanced method and average PD
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II-C-d	CR8	RWA flow statements of credit risk exposures under the IRB approach
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