

RCI BANQUE



RISKS – PILLAR III

Update at
30 June 2020

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.

I - SUMMARY OF RISKS

1- KEY FIGURES

Key figures and ROA

Prudential Ratios	
CET1 Solvency Ratio (1)	15.67%
Leverage Ratio	9.33%
LCR - Aryhmetic Average of the past three months	481%
Return on assets (2)	
	1.4%

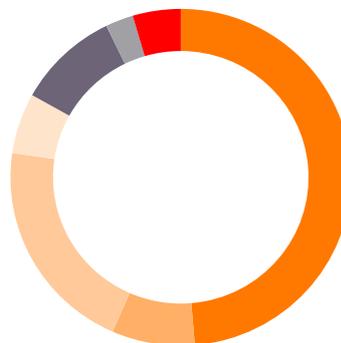
Own funds requirements by type of risk

- Credit Risk - Internal Ratings Based Approach 54.0%
- Credit Risk - Standard Approach 34.3%
- Operational Risk 11.1%
- Credit Valuation Adjustment Risk 0.7%
- Market Risk 0.0%



Exposure by exposure class

- Retail 48.7%
- Retail SME 7.9%
- Corporates 20.8%
- Corporates SME 5.8%
- Central Governments or Central Banks 9.7%
- Institutions 2.6%
- Equity 0.0%
- Other non-credit obligation assets 4.6%



¹ Solvency Ratio including interim profits net of provisional dividends for the first half-year 2020, 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).

2- CONTEXT

The progressive development, since the end of December 2019, of the COVID-19 coronavirus disease worldwide has resulted in significant health threats in certain countries where the Group operates and is accompanied by the gradual implementation of public measures, in different countries and at their borders. This situation may have disturbed, or even prevented, the opening of automotive distribution networks in schedules. Automotive sales may have been negatively impacted with potential consequences on automotive related financing and services.

These elements could, in the current state of visibility and analysis and depending on their persistence, mainly lead to impacts on the health and availability of Group personnel, as well as on financial performance (average performing assets, cost of risk, cost of funds). The Group is fully mobilized, in particular through a comprehensive crisis management system, in order to protect the health of its employees, in close relationship with public authorities, preserve its assets and its ability to operate, adapt to changes in the situation, and anticipate, by appropriate measures, the return to a more normative context for its personnel, its activities and commercial demand.

The outbreak of COVID-19 will have a negative impact to varying degrees in different geographic areas. However, as the COVID-19 pandemic is still ongoing and the duration of the economic crisis that will follow remains uncertain, the Group is unable to fully appraise the subsequent impact in risks at this stage.

3- RISK FACTORS

The identification and monitoring of risks is an integral part of RCI Banque's approach to risk management. This approach may be observed through risk-weighted asset levels, but also through other indicators, work and analyses conducted by the Group's steering and risks functions.

In light of the diversity of the Group's business, the management of risks is built around the following major risk types.

- **Interest rate risks and foreign exchange risks:** risk of a drop-in interest rate margin or in the value of the banking portfolio owing to a change in interest rates or foreign exchange rates.
- **Liquidity and funding cost risk:** liquidity risk occurs when RCI Banque is unable to honor its commitments or cannot finance the development of its business in line with its commercial objectives. Funding cost risk corresponds to the risk of RCI Banque not being in a position to finance its activities at a cost that is competitive.
- **Credit risk (Retail customers and Dealer networks):** risk of losses resulting from customers' inability to meet their financial commitments.
- **Residual value risk:** risk to which the Group is exposed as a result of the depreciation in the net resale value of a vehicle at the end of the financing contract (value below initial estimate).
- **Strategic risk:** risk resulting from the Group's inability to implement its strategy and achieve its medium-term plan.
- **Concentration risk:** risk resulting from a concentration in RCI Banque's exposures (countries, sectors, debtors).
- **Operational risks:** risk of losses or sanctions resulting from ineffective or inadequate internal processes involving staff and/or IT systems (IT risks), or external events, whether deliberate, accidental or natural (Business interruption).
- **Non-compliance risks:** risk of legal, administrative or disciplinary sanctions, of significant financial loss or reputational damage, arising due to non-compliance with provisions specific to banking and financial activities (laws and regulations in force, ethics codes, national, European and international banking regulations). These risks include legal and conduct risks, tax risks, risks relating to money-laundering and the financing of terrorism (AML-CFT), risks associated with the protection of personal data, and risks of non-compliance with banking regulations.
- **Model risk:** risk associated with a failure in the models used by the Group in the course of its business. This notably relates to the use of inadequate price calculation, revaluation, hedging or risk management models. Failure of such models may be due to either the quality of the data used, the modeling technique or the implementation or use thereof.

The various risk types presented above are those identified at this time as being the most significant and typical for RCI Banque, and the materialization of which could have a major adverse effect on its operations, financial position, and/or performance. This is not an exhaustive list of the risks undertaken by the Group as part of its activities or in consideration of its environment.

II - 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 18.13% at 30 June 2020 (of which Core Tier one at 15.67%) against 16.87% published at 31 December 2019 (of which Core Tier One at 14.41%). Following the COVID-19 crisis and in line with the ECB recommendations published on the 27th of March 2020, RCI Banque group has not distributed in 2020 the remaining €300M dividends relative to the 2019 financial year results, thus increasing December 2019 solvency ratio to 17.73% (of which Core Tier One at 15.27%).

These ratios include interim profits at the end of June 2020, net of the share of the annual dividend that RCI Banque is planning to pay to its shareholder, in accordance with Article 26.2 of the CRR and the conditions of Decision ECB 2015/4. The Trim related headwinds are globally in line with expectations disclosed in February 2020 and compensated by activation of CRR options (netting of deferred taxes, Credit Conversion Factor).

Compared to December 2019, the increase in the solvency ratio is due to an increase in regulatory own funds of €424M. Weighted risks have slightly decreased by -€94M.

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 2020, 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 Supervisory Review and Evaluation Process (SREP) decision

At the end of 2019, 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 2020 at 2%, applicable from 1st January 2020.

Minimum requirement for own funds and eligible liabilities (MREL)

RCI Banque has received the notification from the Single Resolution Board (SRB) of its binding minimum requirement for own funds and eligible liabilities (MREL). This MREL requirement has been set at 7.35% of the total liabilities and own funds (TLOF). This is equivalent to 12.27% of RCI Banque's risk weighted assets (RWA) and has been calibrated based on 2017 Overall Capital Requirement. RCI Banque complies with this MREL requirement. Future requirements will be subject to ongoing review.

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-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	145						10			10	0,00	
Austria	640						40			40	0,02	
Belgium	321						25			25	0,01	
Brazil	1 736						116			116	0,05	
Swiss	789						48			48	0,02	
Czech Republic	194						12			12	0,00	1,00%
Germany	585	8 098					254			254	0,11	
Spain	393	4 235					203			203	0,08	
France	1 965	15 059					780			780	0,33	
Great-Britain	616	3 989					223			223	0,09	
Hungary	40						3			3	0,00	
Ireland	419						26			26	0,01	
India	32						6			6	0,00	
Italy	752	5 411					279			279	0,12	
South Korea	67	1 637					62			62	0,03	
Luxembourg	69						6			6	0,00	0,25%
Morocco	547						34			34	0,01	
Malta	106						21			21	0,01	
Netherlands	753						59			59	0,02	
Norway	2											1,00%
Poland	762						48			48	0,02	
Portugal	784						55			55	0,02	
Romania	328						19			19	0,01	
Sweden	135						11			11	0,00	
Slovenia	263						17			17	0,01	
Slovakia	31						3			3	0,00	1,50%
Turkey	144						9			9	0,00	
Colombia	519						33			33	0,01	
Other countries	1											
Total all countries	13 136	38 429					2 398			2 398	1,00	0,01%

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.

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

In Millions of euros	Amounts
Total risk exposure amount	34 822
Institution specific countercyclical buffer rate	0.01%
Institution specific countercyclical buffer requirement	2

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;
- Deduction of deferred tax assets dependent on future profits linked to unused deficits netted by the corresponding deferred tax liabilities;
- 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 2020.

RCI Banque's CET1 core capital represents 86% of total prudential capital.

Category 1 capital increased by €424M compared to 31 December 2019, at €5,456M by the end of June 2020. The amount of €5,032 published in the Pillar 3 report of December 2019, was adjusted by the planned €300M eventually not distributed in line with the ECB recommendation published on the 27th of March 2020 on the distribution dividend policies in the context of the COVID-19 crisis. RCI Banque has included the interim result as of end of June 2020, net of the dividends that RCI Banque planned to pay to its shareholder¹.

¹ Subject to regulator's approval in accordance with Article 26(2) of Regulation (EU) No 575/2013 and the evolution of the COVID-19 crisis

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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 Participation Certificates (Titres Participatifs) in this category as well as €850 million subordinated securities issued in November 2019.

II-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.

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Features	Relevant information
Issuer	RCI Banque S.A.
Unique identifier	FR0013459765
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	850 M€
Nominal amount of instrument	100 000 €
Accounting classification	Subordinated debt
Original date of issuance	November 18, 2019
Perpetual or dated	February 18, 2030
Issuer call option	Call option at February 18, 2025
Fixed or floating dividend/coupon	Fixed coupon
Coupon rate and any related index	2.625%
Existence of step up or other incentive to redeem	If the call option is not exercised, the coupon rate is adjusted to a 5-Year Mid-Swap Rate of + 2.85%
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. Subordinated bonds 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.

By the same token, 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.

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II-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)	
<i>of which: Ordinary shares</i>	100	EBA list 26 (3)	
<i>of which: Instrument type 2</i>	714	EBA list 26 (3)	
<i>of which: Instrument type 3</i>		EBA list 26 (3)	
Retained earnings	2 466	26 (1) (c)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2 211	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	140	26 (2)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	5 632		

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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 (-)	-54	34, 105	
Intangible assets (net of related tax liability) (-)	-85	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) (-)	-8	36 (1) (c), 38, 472 (5)	
Fair value reserves related to gains or losses on cash flow hedges	28	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	-62	36 (1) (d), 40, 159, 472 (6)	
Any increase in equity that results from securitised assets (-)		32 (l)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	5	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) (-)		36-143, 45, 47, 48-149, 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 <i>of which: qualifying holdings outside the financial sector (-)</i> <i>of which: securitisation positions (-)</i> <i>of which: free deliveries (-)</i>		36 (1) (k) 36 (1) (k) (i), 89 to 91 36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 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 (-) <i>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</i>		48 (1) 36 (1) (i), 48 (1) (b), 470, 472 (11)	
Empty Set in the EU <i>of which: deferred tax assets arising from temporary differences</i>		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 <i>of which: filter for unrealised loss</i> <i>of which: filter for unrealised gain</i>		467 468	
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)	-176		
Common Equity Tier 1 (CET1) capital	5 456		

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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 <i>of which: classified as equity under applicable accounting standards</i> <i>of which: classified as liabilities under applicable accounting standards</i>		51,52	
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 <i>of which: instruments issued by subsidiaries subject to phase out</i>		85,86,480 486 (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 <i>of which: Own capital instruments</i> <i>of which: non-significant investments in the capital of other financial sector entities</i> <i>of which: significant investments in the capital of other financial sector entities</i>		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
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 <i>of which: Own capital instruments</i> <i>of which: non-significant investments in the capital of other financial sector entities</i> <i>of which: significant investments in the capital of other financial sector entities</i>		477, 477 (3), 477 (4) (a)	
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)	5 456		

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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	857	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 <i>of which: instruments issued by subsidiaries subject to phase out</i>		87, 88, 480 486 (4)	
Credit risk adjustments		62 (c) et (d)	
Tier 2 (T2) capital before regulatory adjustments	857		
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (-)		63 (b) (i), 66 (a), 67, 477 (2)	
Holdings of the T2 instruments and subordinated loans 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) (-) <i>of which new holdings not subject to transitional arrangements</i> <i>of which holdings existing before 1 January 2013 and subject to transitional arrangements</i>		66 (c), 69, 70, 79, 477 (4)	
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 <i>of which: Own capital instruments</i> <i>of which: non-significant investments in the capital of other financial sector entities</i> <i>of which: significant investments in the capital of other financial sector entities</i>		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
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 <i>of which: Own capital instruments</i> <i>of which: non-significant investments in the capital of other financial sector entities</i> <i>of which: significant investments in the capital of other financial sector entities</i>		475, 475 (2) (a), 475 (3), 475 (4) (a)	
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	857		
Total capital (TC = T1 + T2)	6 313		

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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 after 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)	

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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.

II-5 OV1- Overview of RWA

In Millions of euros	RWA		Min. capital requirements
	06/2020	03/2020	06/2020
Credit risk (excluding CCR)	29 825	30 613	2 386
<i>Of which the standardised approach</i>	11 025	11 553	882
<i>Of which the foundation IRB (FIRB) approach</i>	29	92	2
<i>Of which the advanced IRB (AIRB) approach</i>	18 770	18 968	1 502
<i>Of which equity IRB under the simple RWA or the IMA</i>			
Counterparty Credit Risk	311	332	25
<i>Of which mark to market</i>			
<i>Of which original exposure</i>			
<i>Of which the standardised approach</i>	74	91	6
<i>Of which internal model method (IMM)</i>			
<i>Of which REA for contributions to the default fund of a CCP</i>			
<i>Of which Credit Valuation Adjustment</i>	237	241	19
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
<i>Of which IRB approach</i>			
<i>Of which IRB supervisory formula approach (SFA)</i>			
<i>Of which internal assessment approach (IAA)</i>			
<i>Of which standardised approach</i>			
Market risk			
<i>Of which the standardised approach</i>			
<i>Of which IMA</i>			
Large exposures			
Operational risk	3 854	3 854	308
<i>Of which basic indicator approach</i>			
<i>Of which standardised approach</i>	3 854	3 854	308
<i>Of which advanced measurement approach</i>			
Amounts below the thresholds for deduction (subject to 250% RW)	832	754	67
Floor adjustment			
Total	34 822	35 553	2 786

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 9.33% at 30 June 2020.

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

In millions of euros

Total assets as per published financial statements	57 286
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-239
Adjustments for derivative financial instruments	179
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1 613
Other adjustments	-371
Leverage ratio total exposure measure	58 468

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

II-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)	56 586
Asset amounts deducted in determining Tier 1 capital	-124
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	56 462
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	394
Total derivatives exposures	394
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	3 293
Adjustments for conversion to credit equivalent amounts	-1 680
Total other off-balance sheet exposures	1 613
Capital and total exposure measure	
Tier 1 capital	5 456
Leverage ratio total exposure measure	58 468
Leverage ratio	9.33%

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

RISKS – PILLAR III

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

Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	56 586
Trading book exposures	
Banking book exposures, of which:	56 586
<i>Exposures treated as sovereigns</i>	5 671
<i>Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns</i>	49
<i>Institutions</i>	1 478
<i>Retail exposures</i>	32 374
<i>Corporate</i>	14 568
<i>Exposures in default</i>	262
<i>Other exposures (eg equity, securitisations, and other non-credit obligation assets)</i>	2 184

II9 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 9.33% at the end of June 2020 against 8.40% at the end of December 2019. It should be noted that, in line with the recommendations of the European Central Bank of March 27, 2020 due to the COVID-19 crisis, RCI Banque did not pay in 2020 the additional dividend of €300 million in respect of 2019 results, thus increasing the leverage ratio for December 2019 to 8.90%. The ratio improves under the combination of an increased Tier I capital and a decrease of the total exposure measure, linked to the slowdown of the activity during Covid-19 crisis.

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.

III - 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).

III-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	53 135		578		
Debt securities	1 130				
Total	54 266		578		
<i>Of which defaulted</i>	739				

RISKS – PILLAR III

III-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	75	11 803	-114			11 764	-38
<i>Of which: Specialised lending</i>							
<i>Of which: SMEs</i>	55	2 633	-50			2 639	-16
Retail	463	27 258	-625			27 095	-81
<i>Secured by real estate property</i>							
SMEs							
Non-SMEs							
<i>Qualifying revolving</i>							
<i>Other retail</i>	463	27 258	-625			27 095	-81
SMEs	93	2 836	-93			2 836	-14
Non-SMEs	370	24 421	-532			24 259	-67
Equity							
Total IRB approach	537	39 061	-739			38 859	-119
Central governments or central banks	1	5 664	-1			5 664	0
Regional governments or local authorities	2	181	0			182	0
Public sector entities							
Multilateral development banks							
International organisations		15				15	
Institutions		1 580	0			1 580	0
Corporates	38	4 303	-51			4 290	31
<i>Of which: SMEs</i>	21	874	-16			880	49
Retail	173	7 125	-210			7 088	-57
<i>Of which: SMEs</i>	64	1 928	-55			1 937	-31
Secured by mortgages on immovable property							
<i>Of which: SMEs</i>							
Exposures in default							
Items associated with particularly high risk							
Covered bonds							
Claims on inst. and corporates with a ST credit assessment		171	0			171	0
Collective investments undertakings		214				214	
Equity exposures		222				222	
Other exposures		2 174	-119			2 056	-119
Total standardised approach	213	21 650	-382			21 481	-145
Total	750	60 711	-1 121			60 340	-265
<i>Of which: Loans</i>	739	52 975	-1 109			52 605	-259
<i>Of which: Debt securities</i>		1 130	-2			1 128	-1
<i>Of which: Off-balance-sheet exposures</i>	5	3 487	-10			3 481	-4

RISKS – PILLAR III

III-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	1	5 664	-1			5 664	0
Institutions		1 751	0			1 751	0
Other financial corporations	2	196	0			197	0
Households	476	29 424	-688			29 212	-100
Non-financial corporations	271	21 066	-313			21 024	-46
Of which: Manufacturing	26	888	-13			900	3
Of which: Construction	30	1 108	-17			1 121	1
Of which: Wholesale and retail trade	133	14 578	-217			14 494	-47
Of which: Transport and storage	19	557	-8			567	0
Of which: Professional, scientific and technical activities	12	464	-7			469	2
Of which: Administrative and support service activities	15	1 379	-21			1 374	-5
Of which: Human health services and social work activities	3	325	-5			323	0
Of which: Other sectors	34	1 768	-25			1 777	0
Other exposures	0	2 610	-119			2 491	-119
Total	750	60 711	-1 121			60 340	-265

RISKS – PILLAR III

III-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	291	22 076	-381			21 986	-127
Germany	50	9 686	-68			9 667	-20
Great-Britain	35	5 901	-147			5 789	-25
Italy	111	6 640	-118			6 632	-18
Spain	69	4 607	-113			4 562	-38
Brazil	42	2 048	-75			2 015	-5
South Korea	30	1 813	-42			1 800	4
Swiss	6	928	-5			928	0
Portugal	6	833	-20			819	-6
Poland	14	960	-22			953	-3
Netherland	2	783	-6			779	-3
Other countries	96	4 437	-124			4 410	-24
Total	750	60 711	-1 121			60 340	-265

III-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	328	241	66	78	46	44
Debt securities						
Total exposures	328	241	66	78	46	44

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III-6 CR1-E - Non-performing and forbore 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 forbore	Of which non-performing	Of which defaulted	Of which impaired	Of which forbore
Loans	53 714	56	170	739	739	66
Debt securities	1 130					
Off-balance-sheet exposures	3 492			5	5	

	Accumulated impairment and provisions and negative fair-value adjustments due to credit risks				Collaterals and financial guarantees received	
	On performing exposures	Of which forbore	On non-performing exposures	Of which forbore	On non-performing exposures	Of which forbore exposures
Loans	-518	-4	-484	-49	16 404	6
Debt securities	-2					
Off-balance-sheet exposures	-9		-2			

III-7 - Credit quality of forbore exposures

In millions of euros	Gross carrying amount of exposures with forbearance measures				Accumulated impairment and change in FV		Collateral and financial guarantees received	
	Performing forbore	Non-performing forbore	Of which defaulted	Of which impaired	Performing forbore	Non-performing forbore	on forbore exposure	ow on NPE with forbearance measures
Loans and advances	170	66	66	66	-4	-49	6	
<i>Central banks</i>								
<i>General governments</i>								
<i>Credit institutions</i>								
<i>Other financial corporations</i>								
<i>Non-financial corporations</i>	31	11	11	11	0	-8	2	
<i>Households</i>	139	55	55	55	-4	-41	4	
Debt securities								
Loan commitments given								
Total	170	66	66	66	-4	-49	6	

In the context of the COVID-19 crisis, RCI Banque group granted different legislative and non-legislative moratoria on loan repayments to retail and corporate counterparties. In line with ESMA and EBA recommendations, these have not been automatically classified as forbore loans.

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III-8 - Credit quality of performing and non-performing exposures per days past due

In millions of euros	Gross carrying amount and nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due < 30 days	Past due between 30 d and 90 d		Unlikely to pay or past due < 90 days	Past due between 90 and 180 days	Past due between 180 and 365 days	Past due between 1 and 2 years	Past due between 2 and 5 years	Past due between 5 and 7 years	Past due > 7 years	Of which defaulted	
Cash balances at central banks	5 552	5 552										
Loans and advances	47 423	47 367	56	739	571	78	46		43		1	739
<i>Central banks</i>	21	21										
<i>General governments</i>	120	120	0	2	2	0	0		0			2
<i>Credit institutions</i>	178	178										
<i>Other financial corporations</i>												
<i>Non-financial corporations</i>	18 953	18 933	20	260	222	23	3		11		0	260
<i>Of which SMEs</i>	8 253	8 239	14	227	192	22	3		9		0	227
<i>Households</i>	28 151	28 114	37	476	347	54	43		32		0	476
Debt securities	1 130	1 130										
<i>Central banks</i>	97	97										
<i>General governments</i>	696	696										
<i>Credit institutions</i>	91	91										
<i>Other financial corporations</i>	163	163										
<i>Non-financial corporations</i>	83	83										
Loan commitments given	3 093			5								5
<i>Central banks</i>												
<i>General governments</i>	27			0								0
<i>Credit institutions</i>												
<i>Other financial corporations</i>												
<i>Non-financial corporations</i>	1 823			4								4
<i>Households</i>	1 244			0								0
Total	57 198	54 049	56	743	571	78	46		43		1	743

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III-9 - Performing and non-performing exposures and related provisions

In millions of euros	Gross carrying amount and nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received		
	Performing exposures			Non-performing exposures			Performing exposures			Non-performing exposures				Performing exposures	Non-performing exposures	
	Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3					
Cash balances at central banks	5 552	5 552														
Loans and advances	47 423	43 980	3 443	739		739	-518	-275	-243	-484			-484		16 312	92
<i>Central banks</i>	21	21														
<i>General governments</i>	120	103	18	2		2	-2	0	-1	-1			-1		3	1
<i>Credit institutions</i>	178	117	60				0	0	0						177	
<i>Other financial corporations</i>																
<i>Non-financial corporations</i>	18 953	17 730	1 223	260		260	-164	-101	-62	-148			-148		12 349	56
<i>Of which SMEs</i>	8 253	7 483	770	227		227	-81	-35	-46	-131			-131		1 762	43
<i>Households</i>	28 151	26 009	2 142	476		476	-353	-173	-179	-335			-335		3 783	35
Debt securities	1 130	1 130					-2	-2								
<i>Central banks</i>	97	97					0	0								
<i>General governments</i>	696	696					-2	-2								
<i>Credit institutions</i>	91	91														
<i>Other financial corporations</i>	163	163					0	0								
<i>Non-financial corporations</i>	83	83					0	0								
Loan commitments given	3 093	3 085	8	5		5	-8	-8	0	-2			-2			
<i>Central banks</i>																
<i>General governments</i>	27	27	0	0		0	0	0		0			0			
<i>Credit institutions</i>																
<i>Other financial corporations</i>																
<i>Non-financial corporations</i>	1 823	1 815	7	4		4	-7	-7	0	-2			-2			
<i>Households</i>	1 244	1 243	0	0		0	-1	-1	0	0			0			
Total	57 198	53 747	3 451	743		743	-528	-285	-243	-486			-486		16 312	92

III-10 - Collateral obtained by taking possession and execution processes

In millions of euros	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E		
<i>Residential immovable property</i>		
<i>Commercial Immovable property</i>		
<i>Movable property (auto, shipping, etc.)</i>		
<i>Equity and debt instruments</i>		
Other		
Total		

III-11 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	856	
Increases due to amounts set aside for estimated loan losses during the period	349	
Decreases due to amounts reversed for estimated loan losses during the period	-124	
Decreases due to amounts taken against accumulated credit risk adjustments	-50	
Transfers between credit risk adjustments		
Impact of exchange rate differences	-17	
Business combinations, including acquisitions and disposals of subsidiaries	-11	
Other adjustments	11	
Closing balance	1 014	
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	5	
Specific credit risk adjustments directly recorded to the statement of profit or loss	65	

III-12 CR2-B - Changes in the stock of defaulted and impaired loans and debt securities

In millions of euros	GV defaulted exposures
Opening balance	676
Loans and debt securities that have defaulted or impaired since the last reporting period	275
Returned to non-defaulted status	-147
Amounts written off	-65
Other changes	
Closing balance	739

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

RISKS – PILLAR III

The following three templates provide information on exposures subject to legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis, on newly originated exposures subject to public guarantee schemes and the impairment attached to.

III – 13 - Information on loans and advances subject to legislative and non-legislative moratoria

(in euros)	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
	Performing				Non performing			Performing				Non performing			
		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days		Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	Inflows to non-performing exposures		
Loans and advances subject to moratorium	5 537 129 705	5 488 436 338	1 791 555	685 438 008	48 693 367	0	40 723 090	-77 625 258	-61 315 391	-53 792	-31 167 752	-16 309 867	0	-14 179 170	36 899 363
of which: Households	684 738 975	681 081 277	643 507	173 499 985	3 657 698	0	939 682	-18 190 422	-16 742 063	-28 225	-13 014 448	-1 448 359	0	-407 584	2 894 229
of which: Collateralised by residential immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which: Non-financial corporations	4 852 390 730	4 807 355 061	1 148 048	511 938 023	45 035 669	0	39 783 408	-59 434 836	-44 573 328	-25 567	-18 153 304	-14 861 508	0	-13 771 586	34 005 134
of which: Small and Medium-sized Enterprises	2 177 944 861	2 146 514 933	14 149	252 388 314	31 429 928	0	27 867 637	-36 813 501	-26 172 157	-5 438	-11 389 667	-10 641 344	0	-9 820 711	28 037 248
of which: Collateralised by commercial immovable property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

At the end of June, on our Individuals and Corporate portfolio (excluding Dealers), exposures under not yet expired moratoria measures amounts to €4200M. This amount includes €3118M of moratoria granted by default² in France to all companies with a financed vehicle.

In Network financing (Dealers), the total exposures subject to not yet expired moratoria amounts to €1337 million. A significant portion of the maturity extensions granted to Dealers during the lockdown period has already been settled to RCI, mainly due to the resumption of vehicle sales activity in Europe.

² Moratoria granted systematically and by default to all Diac and Diac Location corporate customers to relieve the customer relationship platforms during the first days of lockdown. Customers who did not wish to benefit from these maturity extensions were able to request that their contractual schedule be maintained.

RISKS – PILLAR III

III-14- Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

(in euros)	Number of obligors	Gross carrying amount							
		Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria					
				<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year	
Loans and advances for which moratorium was offered	256 053	7 638 904 790							
Loans and advances subject to moratorium (granted)	247 929	7 423 516 971	942 082 605	1 886 387 266	1 383 298 957	3 464 142 689	28 131 332	33 200 142	628 356 585
of which: Households		944 127 096	610 100 210	259 388 122	183 821 686	31 053 423	6 994 201	12 153 760	450 715 904
of which: Collateralised by residential immovable property		0	0	0	0	0	0	0	0
of which: Non-financial corporations		6 479 389 875	331 982 395	1 626 999 144	1 199 477 271	3 433 089 266	21 137 131	21 046 382	177 640 681
of which: Small and Medium-sized Enterprises		2 491 293 025	230 880 821	313 348 164	298 361 296	1 725 203 158	8 672 677	16 178 137	129 529 593
of which: Collateralised by commercial immovable property		0	0	0	0	0	0	0	0

III-15- Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

In euros	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forbore	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	-	-	-	-
of which: Households	-			-
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	-	-	-	-
of which: Small and Medium-sized Enterprises	-			-
of which: Collateralised by commercial immovable property	-			-

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.

For all of these scopes, RCI has obtained the following authorizations:

- For France, Germany, Italy and Spain, approved in January 2008;
- For the United Kingdom, approved in January 2010;
- For Korea, approved in June 2011.

The credit risk models applied within RCI Banque are subject to on-site supervisor inspections, giving rise to obligations and/or recommendations and, where applicable, the establishment of temporary additional margins on the parameters estimated by the Bank.

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 47% for the Retail Customer portfolio and 57% for the overall Corporate portfolio using the advanced internal rating method and 87% for the basic internal rating method.

The calculated average rates are at 84% for the customer financing commitments (representing €1,196M), and 1% for the corporate approvals (representing €984M). The %CCF (Credit Conversion Factor) has been changed to 0% on most of the off-balance sheet exposures towards companies, the credit lines being unconditionally cancellable at any time without notice in case of a deterioration of the borrower's creditworthiness.

RISKS – PILLAR III

III-16 CR6 IRB approach – Credit risk exposures by portfolio and PD range

In Millions of euros	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
PD scale												
Portfolio Corporates FIRB												
0.00 to <0.15	1			1		1	45,00%	2,5	0	15,27%		
0.15 to <0.25												
0.25 to <0.50	11			11	0,35%	3	45,00%	2,5	7	62,27%	0	
0.50 to <0.75												
0.75 to <2.50	15			15	0,83%	6	45,00%	2,5	14	90,75%	0	
2.50 to <10.00	6			6	3,29%	2	45,00%	2,5	8	139,59%	0	
10.00 to <100.00												
100.00 (Default)												
Sub-total Corporate FIRB	33			33	1,07%	12	45,00%	2,5	29	86,86%	0	
Portfolio Corporates AIRB												
0.00 to <0.15	238	60		238	0,03%	474	40,77%	1,5	23	9,65%	0	0
0.15 to <0.25	250	21		240	0,22%	54	19,72%	1,1	30	12,34%	0	0
0.25 to <0.50	469	107	1%	470	0,36%	432	39,78%	1,4	207	44,04%	1	-1
0.50 to <0.75	3 059	64		2 731	0,75%	534	22,45%	1,1	851	31,18%	4	-4
0.75 to <2.50	3 530	376	1%	3 494	1,65%	4 455	28,45%	1,2	1 839	52,62%	15	-16
2.50 to <10.00	2 752	252	1%	2 636	6,09%	2 540	27,89%	1,2	2 129	80,77%	39	-31
10.00 to <100.00	491	101	0%	491	22,40%	574	34,36%	1,2	741	150,96%	41	-24
100.00 (Default)	71	3		71	100,00%	204	81,29%	1,3	126	176,33%	49	-39
Sub-total Corporate AIRB	10 861	984	1%	10 372	4,07%	9 267	27,97%	1,2	5 945	57,32%	149	-114
Portfolio Retail												
0.00 to <0.15	1 926	240	100%	2 166	0,09%	430 507	54,08%		285	13,14%	1	-1
0.15 to <0.25	2 352	196	100%	2 547	0,21%	361 442	49,17%		544	21,36%	3	-2
0.25 to <0.50	3 918	179	98%	4 094	0,40%	419 577	51,79%		1 402	34,25%	9	-7
0.50 to <0.75	4 114	62	99%	4 176	0,54%	318 565	41,82%		1 403	33,59%	10	-11
0.75 to <2.50	9 942	392	73%	10 226	1,29%	828 989	51,24%		5 881	57,51%	68	-85
2.50 to <10.00	2 767	112	35%	2 806	4,84%	211 319	48,18%		1 958	69,79%	66	-63
10.00 to <100.00	1 045	13	59%	1 053	24,83%	88 971	50,54%		1 195	113,50%	134	-139
100.00 (Default)	461	2	34%	461	100,00%	54 690	80,28%		157	34,04%	362	-318
Sub-total Retail	26 525	1 196	84%	27 529	3,77%	2 714 060	50,07%		12 825	46,59%	652	-625
Total (all portfolios)	37 418	2 180	46%	37 934	3,85%	2 723 339	44,03%		18 799	49,56%	802	-739

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.

New PD models and recalibrations of parameters on certain models were put into production in the first half of 2020 on part of the perimeter. All these adjustments have been validated by the ECB.

III-17 Segmentation of exposures by the advanced method and average PD by country

It is specified that PD France's retail customer model was put into production in the first half of 2020, following its validation by the ECB.

Category of exposure	IRBA countries	Average sound portfolio PD at 30/06/2020
Retail customers	Germany	1,23%
	Spain	1,18%
	France	2,19%
	Italy	1,69%
	United Kingdom	2,38%
	South Korea	0,88%
Small and medium-sized companies	Germany	2,17%
	Spain	4,01%
	France	3,59%
	Italy	6,05%
	United Kingdom	2,73%
	South Korea	1,27%
Large corporations	Germany	2,96%
	Spain	6,40%
	France	2,99%
	Italy	3,51%
	United Kingdom	2,39%

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.

Following the introduction of new LGD models in the first half of 2020 and the recalibration of parameters on certain models, the LGD segments and the values in the table have been updated and differ from those published for December 2019. All these adjustments have been validated by the ECB.

III-18 Segmentation of exposures by the advanced method and average LGD by country

Category of exposure	IRBA countries	Population group segmentation	Type of model	Internal/External model	Average sound portfolio LGD
Retail individuals SME	France	credit with ratio Maturity ⁽¹⁾ /Forecast duration≤0.377	Statistical	Internal	64,64%
		credit with ratio Maturity ⁽¹⁾ /Forecast duratio>0.377			53,83%
		leasing with ratio Maturity ⁽¹⁾ /Forecast duratio≤0.432			49,33%
		leasing with ratio Maturity ⁽¹⁾ /Forecast duratio>0.432			39,80%
	Germany	Credit	Statistical	Internal	28,55%
		Leasing			50,55%
	Spain	Duration before funding ends ≤9 mois	Statistical	Internal	37,11%
		9 mois< Duration before funding ends ≤30 mois			51,73%
		Duration before funding ends >30 mois			65,84%
	Italy	Credit VN	Statistical	Internal	53,56%
		Credit VO			66,30%
	United Kingdom	Credit VN	Statistical	Internal	53,33%
		Credit VO			62,43%
	South Korea	Maturity ⁽¹⁾ ≤10 mois	Statistical	Internal	79,78%
		10< Maturity ⁽¹⁾ ≤34 mois			64,75%
Maturity ⁽¹⁾ >34 mois		63,56%			
Corporate	France	Credit	Statistical	Internal	43,00%
		Leasing			44,90%
	Germany	Credit	Statistical	Internal	22,40%
		Leasing			32,30%
	Spain	Credit VN	Statistical	Internal	47,60%
		Credit VO			54,47%
		Leasing			49,30%
	Italy	Single segment	Statistical	Internal	53,20%
United Kingdom	Single segment	Statistical	Internal	49,30%	
Dealers	G5(*)	R1 VN	Combined	Internal	15,90%
		R1 others			33,50%

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

⁽¹⁾ This is the difference between the default date and the management date

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.

Regulatory changes with a significant impact on the models are monitored and analyzed in detail by the modeling teams. This is notably the case for the EBA Regulatory Technical Standards (RTS) on the new definition of default for which a global project is underway within the Group to integrate the impacts on the models used and adapt operational processes.

Furthermore, 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.

III-19 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 31/12/2019	16 824	1 346
Asset size	66	5
Asset quality	720	58
Model updates	1 546	124
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-96	-8
Other	0	0
RWA at 31/03/2020	19 060	1 525

Between December 2019 and March 2020, the level of RWAs has increased due to the rise in outstandings, the improvement of asset quality and the production launch of PD and LGD models on retail and corporate perimeter (excluding dealers). Currency fluctuations slightly mitigate this increase.

In million of euros	RWA amounts	Capital requirements
RWA at 31/03/2020	19 060	1 525
Asset size	-1 034	-83
Asset quality	-347	-28
Model updates	1 190	95
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-71	-6
Other	0	0
RWA at 30/06/2020	18 799	1 504

The downward variation in RWAs between the last two quarters is due to the decrease in outstandings on the portfolio under the advanced model, the improvement of asset quality and the currency fluctuations. However, these effects are partly offset by the production launch of LGD models on dealers perimeter.

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.

III-20 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	5 656	6	5 656	3	307	5.42%
Regional government or local authorities	49	132	49	128	43	24.54%
Public sector entities						
Multilateral development banks						
International organisations	15		15			
Institutions	1 562	18	1 562	8	407	25.91%
Corporates	3 820	445	3 746	30	3 737	98.96%
Retail	6 616	410	6 614	171	4 776	70.39%
Secured by mortgages on immovable property						
Exposures in default	88	0	81	0	99	123.10%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	153	18	153	4	172	110.03%
Collective investment undertakings	214		214		214	100.00%
Equity	222		222		550	248.11%
Other items	1 826	75	1 826	75	1 625	85.47%
Total	20 221	1 105	20 138	419	11 931	58.04%

CRM: Credit Risk Mitigation

CCF: Credit Conversion Factor

The %CCF has been changed to 0% on most of the off-balance sheet exposures towards companies, the credit lines being unconditionally cancellable at any time without notice in case of a deterioration of the borrower's creditworthiness.

RISKS – PILLAR III

III-21 CR5 - Standardized approach – Exposures by asset classes and risk weights

Asset classes	Risk weight															Total	of which unrated
	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	250%	370%	1250%	Others	Deducted		
Central governments or central banks	5 525						2		14	5	114					5 659	
Regional government or local authorities					167				10							177	177
Public sector entities																	
Multilateral development banks																	
International organisations	15															15	
Institutions					1 414		64		92							1 570	1 483
Corporates					16		48		3 680	32						3 776	3 712
Retail								6 785								6 785	6 785
Secured by mortgages on immovable property																	
Exposures in default									43	37						81	80
Higher-risk categories																	
Covered bonds																	
Inst. and corporates with a ST credit assessment					47		1			108						157	108
Collective investment undertakings									214							214	214
Equity									3		219					222	222
Other items	0				345				1 556							1 901	1 901
Total	5 540				1 989		115	6 785	5 612	182	333					20 557	14 682

E - CREDIT RISK MITIGATION TECHNIQUES

III-22 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	29	29
Exposures under AIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs	1 176	1 176
Corporates – Specialised lending		
Corporates – Other	4 769	4 769
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs		
Retail – Qualifying revolving		
Retail – Other SMEs	1 305	1 305
Retail – Other non-SMEs	11 520	11 520
Equity IRB		
Other non credit obligation assets		
Total	18 799	18 799

RISKS – PILLAR III

F - COUNTERPARTY CREDIT RISK

EXPOSURE TO COUNTERPARTY CREDIT RISK

III-23 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		314				314	74
IMM (for derivatives and SFTs)							
<i>Of which securities financing transactions</i>							
<i>Of which derivatives and long settlement transactions</i>							
<i>Of which from contractual cross-product netting</i>							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
Total							74

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.

III-24 CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights

In Millions of euros	Risk weight								Total	Of which unrated
	0%	10%	20%	50%	75%	100%	150%	Others		
Central governments or central banks										
Regional government or local authorities										
Public sector entities										
Multilateral development banks										
International organisations										
Institutions			53	19					72	52
Corporates										
Retail										
Inst. and corporates with a ST credit assessment			2	0					3	
Other items										
Total			55	19					74	52

RISKS – PILLAR III

III-25 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	314	41	273	238	35
SFTs					
Cross-product netting					
Total	314	41	273	238	35

III-26 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		238	79	1		
Cash – other currencies		0	7			
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						10
Total		238	86	1		10

RISKS – PILLAR III

III-27 CCR8 - Exposures to CCPs

In Millions of euros	EAD (post-CRM)	RWA
Exposures to QCCPs (total)	79	17
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	7	1
<i>(i) of which OTC derivatives</i>	7	1
<i>(ii) of which Exchange-traded derivatives</i>		
<i>(iii) of which Securities financing transactions</i>		
<i>(iv) of which Netting sets where cross-product netting has been approved</i>		
Segregated initial margin	79	79
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures	79	
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)		
<i>(i) of which OTC derivatives</i>		
<i>(ii) of which Exchange-traded derivatives</i>		
<i>(iii) of which Securities financing transactions</i>		
<i>(iv) of which Netting sets where cross-product netting has been approved</i>		
Segregated initial margin		79
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

IV - 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.

IV-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 Based on the original exposure method	314	237
Total subject to the CVA capital charge	314	237

V - 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 2020 was €2,834m. It amounted to €2,265m on average during the 12-month period ending on 31 March 2020. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals. On 30 June 2020, 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 June 2020, EUR and GBP denominated HQLA represented on average 82.1% and 14.2% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on 31 March 2020, which were 79.7% for EUR and 15.7% 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 2020 came at 316%, compared to 263% on average over the 12-month period ending on 31 March 2020.

RISKS – PILLAR III

V-1 LIQ1 - Liquidity Coverage Ratio (LCR)

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	30/09/2019	31/12/2019	31/03/2020	30/06/2020	30/09/2019	31/12/2019	31/03/2020	30/06/2020
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					1 835	1 897	2 265	2 834
Cash Outflows								
Retail deposits and deposits from small business customers	12 818	13 073	13 209	13 312	1 341	1 367	1 385	1 407
<i>Stable deposits</i>								
<i>Less stable deposits</i>	12 818	13 073	13 209	13 312	1 341	1 367	1 385	1 407
Unsecured wholesale funding	840	889	898	877	659	725	747	731
Operational deposits and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	374	374	379	369	194	209	228	222
Unsecured debt	466	515	519	509	466	515	519	509
Secured wholesale funding					41	45	49	42
Additional requirements	445	619	795	860	203	228	252	272
<i>Outflows related to derivative exposures and other collateral requirements</i>	177	187	196	212	177	187	196	212
<i>Outflows related to loss of funding on debt products</i>			0	0			0	0
<i>Credit and liquidity facilities</i>	267	432	599	648	26	41	56	60
Other contractual funding obligations	1 383	1 312	1 182	1 089	460	472	450	417
Other contingent funding obligations	2 407	2 277	2 135	2 090	240	322	414	481
Total Cash Outflows					2 944	3 158	3 297	3 350
Cash Inflows								
Secured lending (eg reverse repos)								
Inflows from fully performing exposures	4 160	4 198	4 082	4 059	2 345	2 371	2 322	2 367
Other cash inflows	2 478	2 541	2 376	1 916	799	822	777	666
(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	6 639	6 739	6 458	5 975	3 144	3 193	3 099	3 033
<i>Fully exempt inflows</i>								
<i>Inflows Subject to 90% Cap</i>								
<i>Inflows Subject to 75% Cap</i>	6 639	6 739	6 458	5 975	3 144	3 193	3 099	3 033
Total HQLA					1 835	1 897	2 265	2 834
Total net Cash Outflows					743	796	856	888
Liquidity Coverage Ratio					249%	239%	263%	316%

TABLES

PART	REF	Title
I-1		Key figures
II-A	CCC1	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
II-A	CCC2	Amount of institution-specific countercyclical capital buffer
II-B	CCA	Main characteristics of equity instruments
II-B	FP1	Breakdown of regulatory capital by category
II-C	OV1	Overview of RWA
II-E	LRSum	Summary reconciliation of accounting assets and leverage ratio exposures
II-E	LRCom	Leverage ratio
I-E	LRSpl	Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
II-E	LRQua	Statement of qualitative elements
III-A	CR3	Credit risk mitigation techniques – overview
III-A	CR1-A	Credit quality of exposures by exposure class and instrument
III-A	CR1-B	Credit quality of exposures by industry or counterparty types
III-A	CR1-C	Credit quality of exposures by geographical area
III-A	CR1-D	Ageing of past-due exposures
III-A	CR1-E	Non-performing and forborne exposures
III-A		Credit quality of forborne exposures
III-A		Credit quality of non-performing exposures by past due days
III-A		Performing and non-performing exposures and related provisions
III-A		Collateral obtained by taking possession and execution processes
III-A	CR2-A	Changes in the stock of general and specific credit risk adjustments
III-A	CR2-B	Changes in the stock of defaulted and impaired loans and debt securities
III-A		Information on loans and advances subject to legislative and non-legislative moratoria

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III-A		Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria
III-A		Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis
III-C-a	CR6	Credit risk exposures by portfolio and PD range
III-C-b	CR6 bis	Segmentation of exposures by the advanced method and average PD
III-C-c	CR6 ter	Segmentation of exposures by the advanced method and average LGD
III-C-d	CR8	RWA flow statements of credit risk exposures under the IRB approach
III-D	CR4	Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects
III-D	CR5	Standardized approach – Exposures by asset classes and risk weights
III-E	CR7	IRB – Effect on RWA of credit derivatives used as CRM techniques
III-F	CCR1	Analysis of counterparty credit risk (CCR) exposure by approach
III-F	CCR3	Standard approach – CCR exposures by regulatory portfolio and risk weights
III-F	CCR5-A	Impact of netting and collateral held on exposure values
III-F	CCR5-B	Composition of collateral for exposures to CCR
III-F	CCR8	Exposures to CCPs
IV	CCR2	Credit valuation adjustment (CVA) capital charge
V-A	LIQ1	Liquidity Coverage Ratio (LCR)