RCI BANK AND SERVICES

ANNUAL REPORT **2016**

MAKING **MOBILITY EASIER**

RCI Bank and Services brings together three worlds: automotive, banking and services. Recognized for our expertise in automotive financing for over 90 years, we have continually reinvented ourselves to actively support the sales development of the Renault-Nissan Alliance brands and their distributor networks.

As a partner of the Renault, Renault Samsung Motors, Dacia, Nissan, Infiniti and Datsun brands, our aim is to act as a strategic driver of their sales policies and accelerate the sales success of each brand.

The ambition of our 3,100 employees, present in 36 countries, is to make it easier for customers of the Renault-Nissan Alliance brands to access auto-mobility by designing simple and affordable solutions for each one of them.

To that end, we propose a comprehensive range of financing, insurance and service offers adapted to the various auto-mobility needs of private and professional customers.

In response to changes in the way people use cars and the emergence of new technologies, RCI Bank and Services is pursuing its digital transformation and creating auto-mobility solutions and innovative, connected and personalized offers that will simplify and enhance the experience of the customers of the Alliance brands.

KEY FIGURES

3,100
employees

36
countries
on 5 continents

6
brands
Renault, Dacia,
Renault Samsung Motors,
Nissan, Infiniti, Datsun

41%
of registrations financed[(1)]

1.6
million
new financing contracts

17.9
billion euros
in new financing contracts

38.3
billion euros
in net assets at year-end[(2)]

3.4
million
service contracts

1.5
billion euros
in net banking income

912
million euros
in pre-tax income

12.6
billion euros
in collected deposits

[(1)] % of new Alliance vehicles financed / registrations of new Alliance vehicles. RCI Bank and Services scope, excluding companies consolidated under the equity method.
[(2)] Net assets at year-end: net total outstandings + operational lease transactions net of depreciation and impairment.

CONTENTS

RCI Bank and Services enjoyed a number of highlights in 2016, with the design of innovative products and services, international development, strategic partnerships and prestigious awards. Following is a review of the year.

FRANCE

A DACIA STARTING FROM **3 EUROS A DAY**

Working together with the Dacia teams, Diac designed attractive financing offers giving customers the possibility of leasing a Dacia vehicle from as low as €3 a day.
Launched in January 2016 and accompanied by an off-beat ad campaign, these offers have proved immensely successful.

ALGERIA

SUCCESSFUL RETURN FOR CREDIT ACTIVITY

In January 2016, Algeria reintroduced consumer loans.
RCI Services Algérie was the first brand finance company, in partnership with BNP Paribas, to bring retail customers a vehicle financing offer. At end-December, some 5,000 customers had financed their car with RCI Services Algérie.

RUSSIA
REMOTE PAYMENTS POSSIBLE

In January 2016, RN Bank launched an online payment solution enabling customers to make easy monthly installments with their Visa or Mastercard, regardless of their bank. This original solution is a real step forward in a country where scheduled monthly bank transfers do not exist.

INDIA
THE SUBSIDIARY CELEBRATED ITS 10,000th **CUSTOMER** IN MARCH 2016

At end-2016, more than 22,000 customers had financed their vehicle with Nissan Renault Financial Services India (NRFSI).

START ME UP!

From March to June 2016, RCI Bank and Services organized Start Me Up, an innovation competition open to all staff on the theme of improving the customer experience. The results were highly positive: 20 participating countries, 200 employees, 500 ideas collected, and 4 projects selected and under development.

HIGHLIGHTS

MOROCCO
INTERACTIVE STANDS

In May 2016, at the "Auto Expo" motorshow in Casablanca, RCI Finance Maroc installed interactive terminals on the Renault and Dacia stands. Visitors were able to explore and choose the financing the best adapted to their needs. The innovation enhances the customer experience in Morocco.

RCI COLOMBIA
COMPAÑÍA DE FINANCIAMIENTO

BUENOS DÍAS* RCI COLOMBIA!

RCI Bank and Services founded the RCI Colombia subsidiary on May 27, 2016 in association with the BBVA Group, a major player in the Colombian finance sector. Since August, the new finance company has provided financing and service offers to the customers and distribution network of the Renault brand in Colombia.

* Good morning.

BULBTHINGS
SMART UP YOUR BUSINESS

PARTNERSHIP WITH THE START-UP BULB SOFTWARE LTD

In June 2016, RCI Bank and Services acquired a minority stake in Bulb Software Ltd. The start-up has developed an innovative solution for managing professional equipment and vehicles enabling customers to simply and comprehensively monitor vehicle use and the corresponding costs.

e-PAYMENT by RCI Bank and Services

E-PAYMENT **EXPERTS**

RCI e-Payment is a new business activity providing advice and expertise on strategies in collection, channels, and payment methods and means.
With RCI e-Payment, RCI Bank and Services is positioned as a preferred supplier of payment services for the Alliance brands.

BELGIUM
FOR THE PRICE OF **TWO WAFFLES...**

Like Diac in France, Belgium launched a euros-per-day Dacia offer with an equally original ad campaign. The offer comprises 4 years of financing, 4 years of maintenance, 4 years of assistance, and a 4-year warranty.

FRANCE
INNOVATIVE HR INITIATIVE: WORKING TOGETHER WITH UNIVERSITIES

In September 2016, two competitions between students at Paris-Dauphine University were organized on the topics of participative finance and the development of an innovation culture at RCI Bank and Services.
These competitions express the company's determination to take advantage of external ideas in all fields. The students shed new light on these topics while learning about a relatively little known sector for them.

FRANCE
WELCOME TO **THE CLUBS!**

The Diac and Nissan Finance clubs launched in October 2016 are a true relational program for customers with financing contracts. The loyalty program features exclusive offers in culture, leisure, tourism and home equipment through a range of partners.

GERMANY
"CUSTOMER SATISFACTION" PRIZE FOR RENAULT BANK

On October 11, 2016, Renault Bank won the "Deutscher Fairness-preiss 2016" in Berlin. The survey, administered to 42,000 customers, assessed over 800 companies in terms of their cost/performance ratio, reliability and transparency. Renault Bank achieved the best score in the "Automotive Financing" category.

ALONGSIDE ENTREPRENEURS

Over 60 women met up in Paris for 3 days in October 2016 for the 3rd Startup Weekend Women event.
RCI Bank and Services joined forces with this unique initiative that supports the place of women in entrepreneurship and innovation. This year's event featured 54 hours of competition, 60 ideas, 10 finalists and 1 winning team.

SOUTH KOREA LAUNCH OF THE "SMART RSM" BALLOON LOAN: A FIRST ON THE MARKET!

TURKEY WHOLESALE FINANCING ACTIVITY TAKES OFF!

In late 2016, Turkey extended its offer with the launch of network inventory financing. The new offer reinforces relations with the Renault and Dacia brands and their distribution networks.

NOT ONE BUT TWO CONSORTIUMS!

In 2016, RCI Bank and Services joined the R3 and LaBChain consortiums specialized in the blockchain. The aim is to explore the potential of this technology in the banking and finance sector.

IRELAND

5TH ANNIVERSARY

DECEMBER 2016

25,000

CUSTOMERS

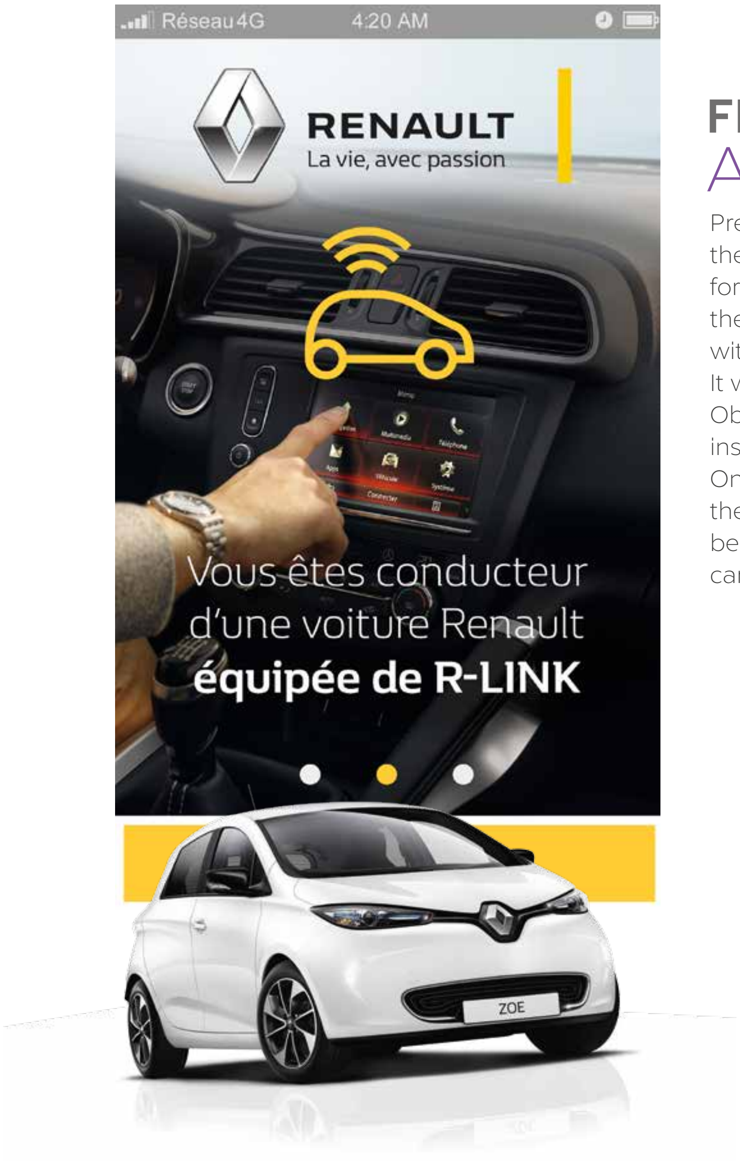
500

MILLION EUROS IN FINANCING

UNITED KINGDOM

3 PRIZES FOR THE SAVINGS BUSINESS

RCI Bank, the savings business in the UK, won three prizes from **savingchampion.co.uk** in December 2016 for the simplicity and competitiveness of its offers. The jury of the independent body picked RCI Bank for its competitive rates, affordability, customer service and its innovative offers.



FRANCE
APP THAT PAYS

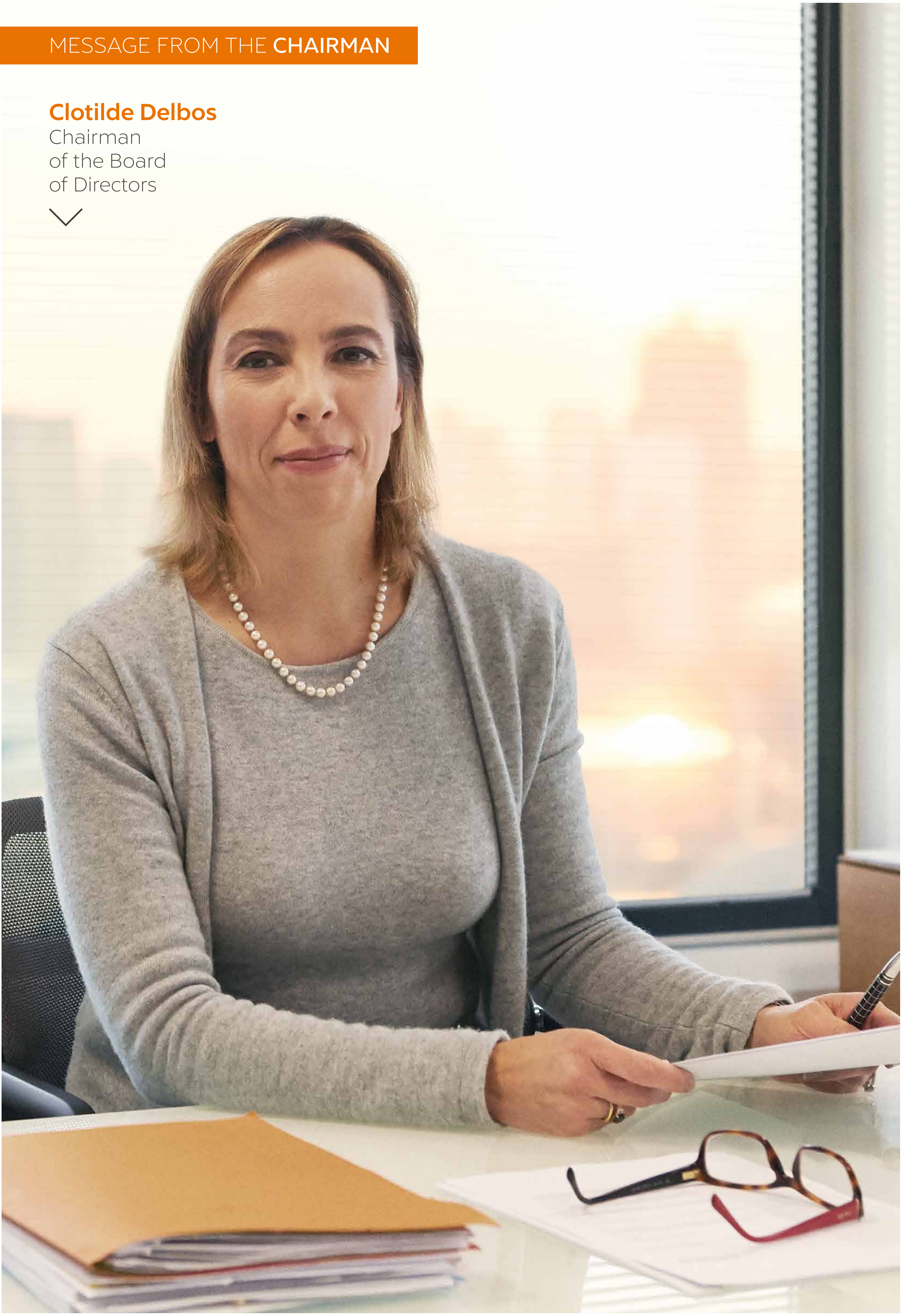
Presented at the 2016 Paris Motor Show, the Renault Connected Insurance app developed for users of new Renault ZOE equipped with the Z.E. 40 battery has proved a big success with customers.
It was voted "Best Innovation" in the "Connected Objects" category in the 2016 Argus digital insurance awards.
On the basis of a monthly analysis of data, the app rewards policyholders for their driving behavior. The app is a first in France for a carmaker.

KARHOO

ACQUISITION OF THE KARHOO START-UP

On January 12, 2017, RCI Bank and Services acquired a majority stake in Flit Technologies Ltd., the company that won the takeover bid for the start-up Karhoo, the leading comparison platform for taxi companies.

Clotilde Delbos
Chairman
of the Board
of Directors



Our mission is to support the carmakers in their growth and meet the new mobility needs of their customers

RCI Bank and Services enjoyed a record year in 2016, with increases in our penetration rate, our new- and used-vehicle financing volumes, our net banking income, and our pre-tax income.

This excellent performance was also driven by the strong sales of the Renault-Nissan Alliance brands, with their renewed ranges. This momentum enabled the brands to take full advantage of the recovery in the European markets, where the Alliance posted a 9% increase, and offset the decreases in the Russian and Brazilian markets.

The year was also marked by the continuation of historically low interest rates and, consequently, abundant and competitive liquidity.
Lastly, our migration to supervision by the European Central Bank shows that we are a large-scale banking institution, and also provides extra security for our customers and partners.
In this favorable environment, our long-term growth results from a close working relationship with each of the Alliance brands.
As a brand finance company, we are a partner of their sales policy aimed at winning new customers and gaining their loyalty.

We design bespoke financing offers consistent with the DNA of each brand and the expectations of their customers.
The service solutions accompanying these financing contracts are also vital to the diversification of our business activity. These simple and personalized offers enhance the experience of our customers and boost their loyalty to the distribution networks of the brands.

RCI Bank and Services has achieved a successful transformation in just a few years.

Our mission is to support the carmakers in their growth and meet the new mobility needs of their customers.
Our aim is to make motoring easier for the customers of the Alliance brands.
We need to create intuitive and digital solutions that help them get from A to B in an increasingly simple fashion and in total freedom. This is one of the prerequisites for remaining a leading player in the automotive sector and continuing to contribute on a lasting basis to the performance of the Alliance brands.

The investments made in 2016 to develop mobility offers for Business customers are part of this strategy.

Our unique positioning at the crossroads of the automotive, services and banking sectors

The objective for RCI Bank and Services will be to refinance its growth independently while ensuring our shareholder high profitability levels for the capital invested.

Our unique positioning at the crossroads of the automotive, services and banking sectors constitutes an additional strength in an industrial and financial sector in the midst of deep-seated change.

"Our sales performance has reached an excellent level"

Gianluca De Ficchy
Chief Executive Officer

RCI Bank and Services posted outstanding results in 2016, driven by excellent sales and financial performances.
By continuing to prepare ahead of time for future changes, and by pursuing our digital transformation and international expansion, we are in a position to optimize these performances in 2017.

RCI Bank and Services enjoyed another year of strong growth in 2016.

Our sales performance reached an excellent level, with a penetration rate – excluding companies consolidated under the equity method (Russia, Turkey and India) – of 41%, an increase of 1 point on 2015.
The performance was driven by growth in the world car market, up 2% on 2015[1].
With growth of 6.8%, the European car market offset the declines in Brazil and Russia, our main markets outside Europe.

In this favorable environment, within the business scope of RCI Bank and Services, the brands of the Renault-Nissan Alliance increased their market share by 0.85 points year on year, underpinned in particular by the renewal of their ranges.
Sales volumes came to 3.4 million, up 9.2% for a 2% rise in total industry volume. They also increased their investments in financing, because we successfully demonstrated our contribution to winning new customers and earning the loyalty of existing customers.
The environment of low interest rates stands as a further advantage since it enables carmakers to reduce investment costs and propose promotional rates.

The growth achieved by the Alliance brands and the improved performance of RCI Bank and Services generated an increase in our new-vehicle financing volumes that was superior to the growth in registration volumes.

[1] Growth in the world market within the business scope of RCI Bank and Services.

The number of new-vehicle contracts increased 11.3% on 2015 with a total of 1,288,000 vehicles financed.

With over 276,000 financing contracts, up 18.6% on 2015, the Used Vehicle business now stands as a key pillar in our sales strategy.
Used-vehicle financing fosters the acquisition of new customers and constitutes a tool for promoting new-vehicle sales.

The combined growth of the new-vehicle and used-vehicle activities was reflected in a record number of new financing contracts, up 12.5% year on year to 1,564,000. Total new financing came out at €17.9 billion, for an increase of 14.9% on 2015.

Our sustainable performance is also based on another strategic pillar: the development of a rich and varied range of services, which are vital to winning over Alliance brand customers and gaining their loyalty. Some 3.4 million new service contracts were signed in 2016, up 19.8% on 2015.

> Our sustainable performance is also based on another strategic pillar: the development of a rich and varied range of services

1.6
million new financing contracts

We are leading a strategy of partnerships and investments to rapidly acquire digital expertise, particularly in connected services

In 2016, RCI Bank and Services achieved unprecedented levels of business activity, with net assets at end-December of €38.3 billion, up 20.4% on 2015.
Net banking income at end-2016 totaled nearly €1.5 billion, up 8.1% on 2015, reflecting the group's strong performance despite a negative currency effect of €55 million.
Our asset growth was accompanied by a historically low level of customer risk (0.31% of average performing assets at end-2016) and by controlled operating expenses (1.39% of average performing assets, or 10bp lower than in 2015). Our operating ratio stands at 31.4%, ranking RCI Bank and Services as a leader among brand finance companies. Consequently, our pre-tax income hit a record level of €912 million.

To respond to these growth objectives, we continued to diversify our refinancing sources. In Europe, we made five bond issues in public format for €3.4 billion, made several private investments for €1.1 billion, carried out a further securitization transaction, and developed the collection of deposits. Retail customer deposits increased €2.3 billion on 2015 to a total €12.6 million at end-December, or 33% of assets.
Outside Europe, the subsidiaries in Argentina, Brazil, South Korea and Morocco maintained regular presence on their domestic bond markets.

With growth gradually picking up, the European Central Bank could gradually reduce its liquidity injections in 2017, bringing an end to the cycle of rate decreases in the euro zone.
The diversified liability structure formed over the past few years will serve to finance the company's growth as monetary policy gradually returns to normal.

3.4
million service contracts

1.5
billion euros in net banking income

In response to the digital revolution, RCI Bank and Services is preparing ahead of time for the acceleration in digital disruptions through innovation and agile transformation.

New operators are emerging in the insurance and financing sector, while new forms of mobility are on the rise, including carsharing, connected vehicles, and autonomous vehicles.
In addition, tighter regulations could call into question the way we sell our products in the distribution channels that we have traditionally relied on.
This is why we are innovating with products and services aimed at simplifying access to auto-mobility, with our customers' needs firmly in mind.

What is auto-mobility?
It is a combination of intuitive and digital solutions that help people to get from A to B in an increasingly simple fashion and in total freedom.

We are developing new apps and pursuing the development of the RCI Mobility subsidiary, which works to the benefit of all the Alliance brands.
We are also leading a strategy of partnerships and investments to rapidly acquire digital expertise, particularly in connected services. In the last few months, we invested in two specialized start-ups: Bulb Software Ltd., in the management of professional equipment and vehicles, and Fleet Technologies Ltd., the company that won the takeover bid for the Karhoo start-up. Karhoo is the leading taxi-company comparison platform.
These two investments illustrate our determination to design simple and attractive solutions enabling people everywhere to enjoy the benefits of auto-mobility.

Lastly, we are pursuing the digital transformation of our company. Last year, we launched our first in-house innovation competition, "Start Me Up", to improve the customer experience. In 3 weeks, 280 employees in 20 countries submitted 500 ideas. At the conclusion of the 3-month-long competition, 4 ideas out of the total 500 collected were selected and rewarded.

Those ideas are now under development.
Each one is eminently practical, including carsharing solutions for micro-communities looking to co-purchase a vehicle with financing and share the management.

In terms of international development, 2017 marks the beginning of a new cycle of opportunities

Internationally, 2016 was marked by the launch of RCI Bank and Services business activity in Colombia, the resumption of the financing business in Algeria, and the start-up of the Wholesales Financing activity in Turkey.
In 2017, to boost the sales development of the Alliance brands, we are going to roll out our project in China.
China is a strategic priority for the group, with Renault successfully launching two locally-produced vehicles at its new Wuhan plant. RCI Bank and Services is supporting this development at local level.
Working locally with the Nissan finance company, we have already rapidly implemented financing solutions for Renault customers and dealerships.
In 2017, we aim to optimize this business activity and improve our sales performance.

In terms of international development, 2017 marks the beginning of a new cycle of opportunities.
Our goal is to rank among the leading car brand finance companies, particularly in certain emerging economies. And we have everything it takes to succeed in that goal.

31.4%
operating ratio

THE EXECUTIVE COMMITTEE, **A MANAGEMENT TEAM DEDICATED TO OVERCOMING NEW CHALLENGES**

Umberto Marini
Vice President, Information Systems

Hélène Tavier
Vice President, Human Resources

Dominique Signora
Vice President, Director of the Territories

Gianluca De Ficchy
Chief Executive Officer

Jean-Philippe Vallée
Vice President, Customers and Operations

Jean-Marc Saugier
Vice President, Finance and Group Treasurer

Alice Altemaire
Vice President, Accounting and Performance Control

THE BOARD
OF DIRECTORS

Clotilde Delbos
Chairman
of the Board of Directors

Farid Aractingi

Gianluca De Ficchy

Thierry Koskas

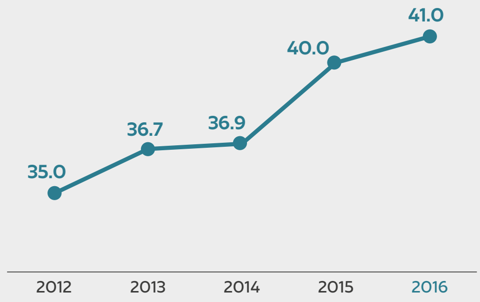
Isabelle Landrot

Bernard Loire

Stéphane Stoufflet

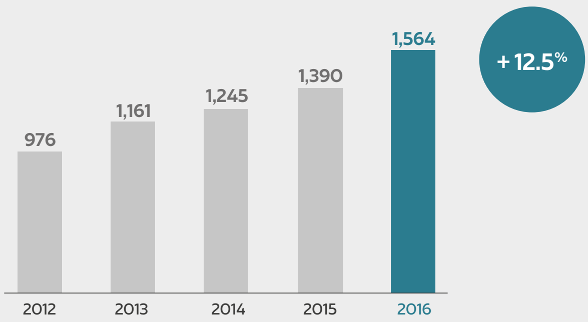
ANOTHER YEAR OF STRONG **GROWTH AND PROFITABILITY**

Penetration rate all brands[1]
(as a %)

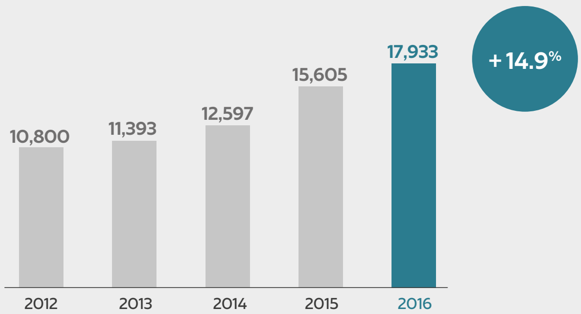


[1] Excl. equity-consolidated (Turkey, Russia, India).

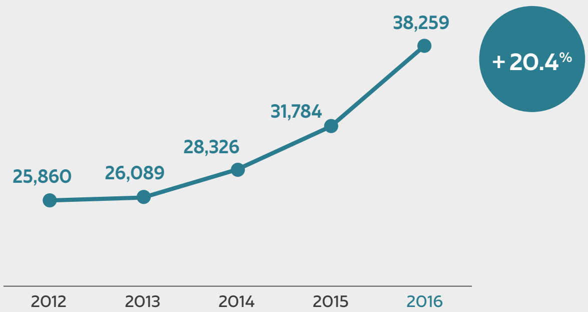
Total number of vehicle contracts
(thousands)



New financing contracts
(excluding personal loans and credit cards / € million)

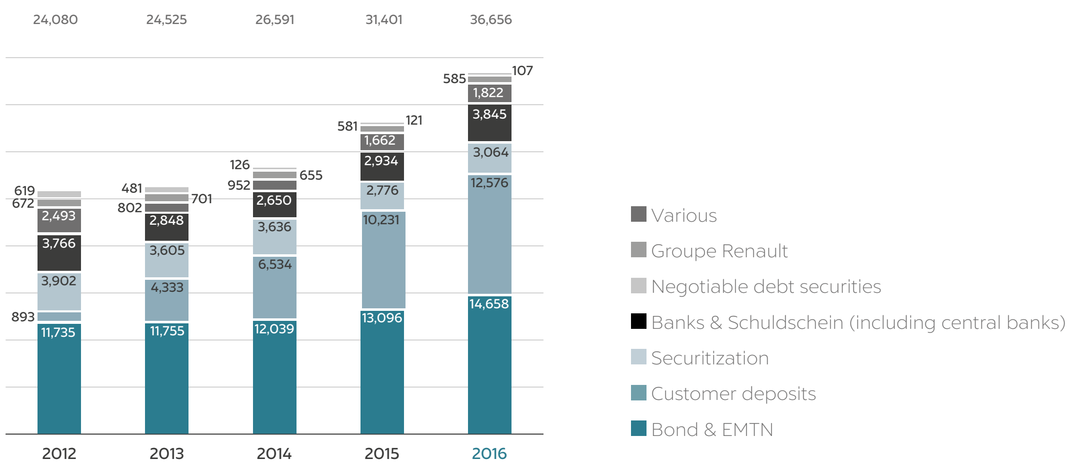


Net assets at year-end[2]
(€ million)

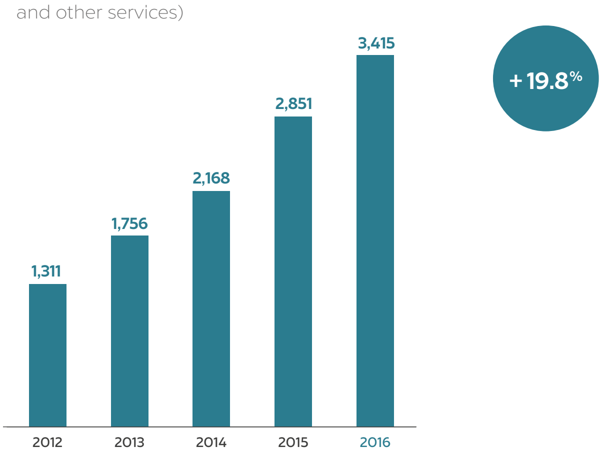


[2] Net assets at year-end: net total outstandings + operational lease transactions net of depreciation and impairment.

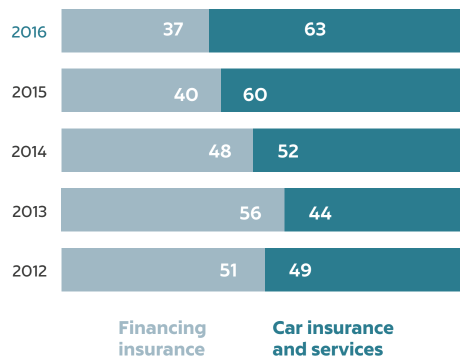
Changes in the structure of total debt
(€ million)



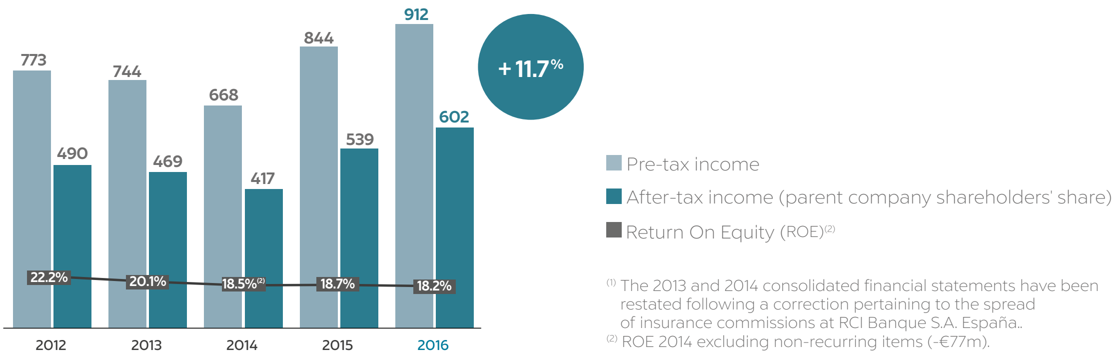
Service contracts
(in thousands of units, insurance and other services)



Service mix
(as a %)



Results[1]
(€ million)



[1] The 2013 and 2014 consolidated financial statements have been restated following a correction pertaining to the spread of insurance commissions at RCI Banque S.A. España..
[2] ROE 2014 excluding non-recurring items (-€77m).

SOLUTIONS TO MAKE AUTOMOTIVE USE **EASIER**

In 2016, RCI Bank and Services continued to support the Alliance brands and their distributor networks by extending its range of financing, insurance and service solutions adapted to each type of customer. The group harnessed new technologies to enhance the auto-mobility experience of its customers.

To best respond to the needs of each type of customer, RCI Bank and Services continued to design bespoke offers combining financing, services and insurance.

These offers are created both for new vehicles and used vehicles.

RCI Bank and Services also broadened its range of auto-mobility solutions for companies seeking to optimize the management of their vehicle fleets.

Lastly, the group continues to provide active support to the distribution networks of the Alliance brands by bringing them inventory financing solutions and meeting their short-term cash needs.

over
276,000
used vehicles
financed

+1.5
points in Corporate
penetration rate

29
countries
in the scope of
the Wholesale Financing
business

SOLUTIONS ADAPTED TO RETAIL CUSTOMERS

In 2016, RCI Bank and Services extended its range of financing and services to make automotive access easier for the greatest number. By developing new digital tools, we are working to enrich the experience of Alliance brand customers.

In our business scope in 2016, registrations by retail customers increased 17% to 1.79 million.

Our penetration rate in this segment is 47.3%. In Spain, Italy, the UK and Brazil, more than six out of ten vehicles are financed with RCI Bank and Services.

Enhanced financing and service offers

The year saw the growing success of loyalty offers responding to changing consumer behavior.

Retail customers are opting increasingly for flexible financing such as balloon loans, lease purchasing and long-term leasing. These offers accounted for one-third of all new vehicles for RCI Bank and Services in 2016, up 2 points on 2015.

The strongest increases in 2016 came in Spain and Ireland, up 14 points and 11 points respectively on 2015. The trend is now afoot outside Europe. South Korea launched a balloon loan in 2016 that has proved successful with first-time buyers and under-30s.

The year also saw the development of service offers combined with financing that meet the growing needs of customers to manage their motoring budgets. Our services help to boost the satisfaction and loyalty of brand customers.
RCI Financial Services in the Netherlands launched Renault Flex Choice, an offer combining financing, servicing and a warranty extension. It is the first offer of its kind on the Dutch market.

RCI Bank and Services finances one in two electric vehicles

A total of 100,000 electric vehicles were sold in Europe in 2016, all brands combined. Renault accounted for 25% of these sales. RCI Bank and Services financed one in two vehicles of the Renault and Nissan brands. The number of rented batteries increased from 73,000 in 2015 to 97,000 in 2016.
At the Paris Motor Show in October 2016, Diac supported the launch of Renault ZOE with a 400-km NEDC range by introducing a simpler rental offer with no time commitment for the new Z.E. 40 battery.

Digital technology at the service of the customer

RCI Bank and Services continued to develop digital services to make everyday life easier for its customers and form a strong relationship with each one of them.
Customer spaces were enhanced to improve the user experience.
In France, a relationship program was launched with the Diac and Nissan France clubs, bringing to all contract-holders customer exclusive offers on a range of services.
In Spain, customers can use the customer space to subscribe to services on line and benefit from practical advice on the use of their vehicle.
In the Netherlands, RCI Financial Services created an app for subscribing on line to Renault Flex Choice offers.

A record year for used vehicle sales

With the Alliance brands renewing their ranges and posting increases in new vehicle sales, the used car market is of key importance to the distribution networks.
To help them in this segment, RCI Bank and Services supported the sales teams by developing special offers and sales methods.
The result was a record number of 276,312 contracts, up 18.6% on 2015.

The savings bank business and a 100% online offer

Launched in 2012, the retail deposit business has now been rolled out in four countries: France, Germany, Austria and the UK.
It is a source of diversification for our automotive financing business.
Having developed it from the start via the web, RCI Bank and Services continued to digitize the activity in 2016.

Austria launched a mobile app, Germany launched its new mobile website, and in France the Zesto site was comprehensively redesigned to enhance the customer experience with new functionalities and content.

+8%
financing contracts for retail customers

Training in 2016: a responsible approach

Mindful of bringing Alliance brand customers the best advice, we commit to supporting them in their automotive financing procedures.

In 2016 in its business scope, RCI Bank and Services trained over 26,000 salespeople, or 87% of the sales force of the brands' distribution networks.

This involved more than 230,000 hours of training.

The main subjects addressed were:

- knowledge of financing, service and insurance offers;
- awareness of responsible financing so as to avoid the risk of excessive debt;
- regulation and consumerism, for compliance with local legislation.

Integrated in the training plan of the brands, these courses reflect our approach on consumer protection.

INNOVATIVE SERVICES FOR COMPANIES

In 2016, RCI Bank and Services pursued the development of auto-mobility services designed specially for professionals.

In 2016 in the business scope of RCI Bank and Services, Alliance brand registrations to professionals grew 13% to 1.36 million.
RCI Bank and Services posted an overall performance of 28.3% in the segment, for an increase of 1.5 points.

The development of packaged offers for professionals

With company sales on the rise, bringing business customers needs-adapted offers is a priority. To that end, RCI Bank and Services is creating packaged offers including financing, services and/or insurance. These offers help professionals to manage their vehicle fleets and better coordinate the costs stemming from their business activity.

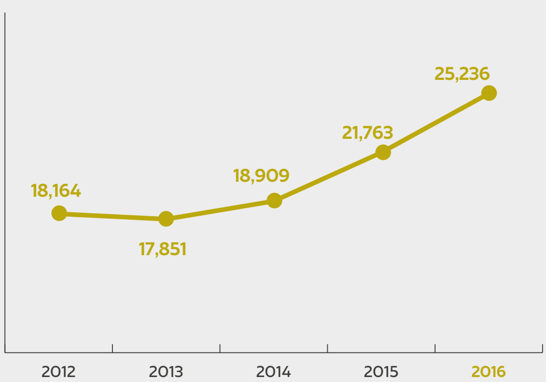
In 2016, Italy launched a leasing offer including servicing and a warranty extension together with a discount for professionals subscribing to a new financing contract.
Launched in 2015, the Box Pro offer in Morocco and Easy Pack Pro offer in France, combining financing, service and insurance, continued to attract more and more professional customers.

Moving forward through synergies with the Alliance brands

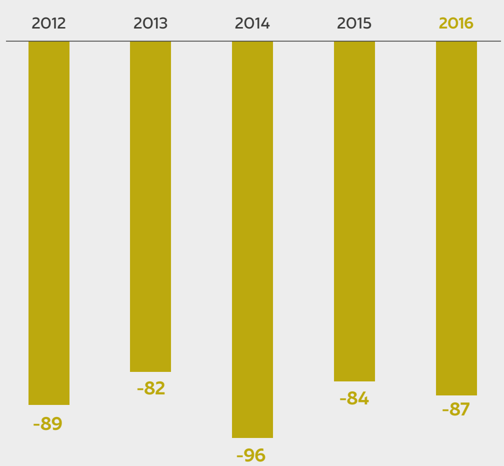
Growth in the corporate business also results from continued internalization and the generation of synergies between the Alliance brands and RCI Bank and Services. With this organizational approach, we can bring our customers a single Brand and Financing contact.

In 2016, this approach was rolled out in Brazil and Romania. In Brazil, the performance in small fleet financing improved by 14 points to 35% with the Renault brand.
Results increased sharply in Romania in 2016, with a 24% rise in new contracts for local fleets. These strong results ranked the Romania subsidiary as the number-one player in financial and operational leasing for the Renault, Dacia and Nissan brands.
The approach is set for roll-out in Slovenia and in Turkey in 2017.

Customer average performing assets
(€ million)



Customer cost of risk
(€ million, excl. country risk)



Enhancing the auto-mobility experience

RCI Bank and Services is moving ahead with the development of solutions to meet the new auto-mobility needs of professionals.

RCI Mobility, a subsidiary of RCI Bank and Services launched in 2015, has developed carsharing and carpooling solutions for Company clients. In late 2016, it provided a technological solution to Renault Mobility, a new player in carsharing in France. With the service, Renault is providing its internal-combustion and electric vehicles on a carsharing basis to consumers and professionals alike.

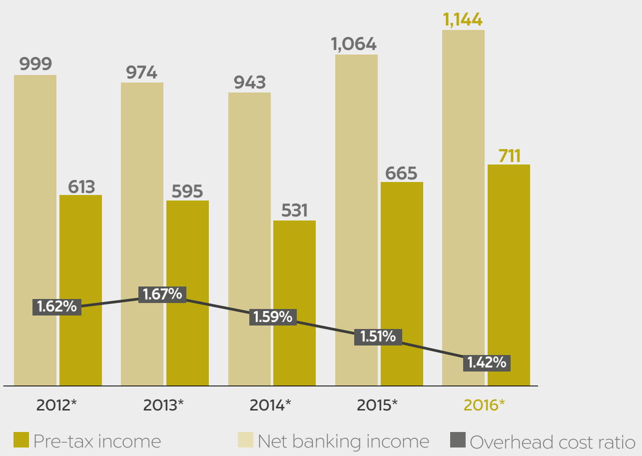
In June 2016, RCI Bank and Services acquired a minority stake in the Bulb Software Ltd. start-up. Through the BulbThing solution developed by the start-up, the partnership will enable us to better respond to the management needs of fleet customers in terms of reporting, financial monitoring, and alerts on vehicle use. The connected and personalized service is available on computers, tablets and mobiles. It will be implemented in a number of European countries in 2017.

+1.5

points in Corporate penetration rate

Results and Customer operating costs

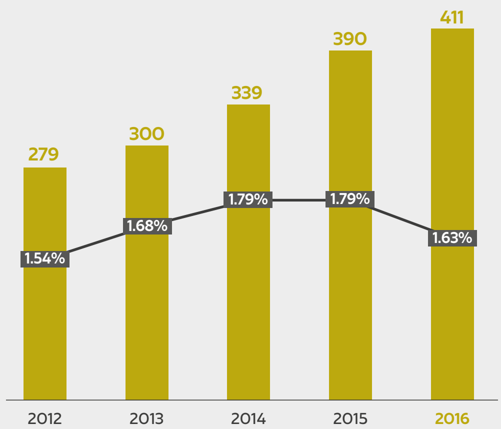
(€ million and as a % of customer APA*)



*Average performing assets.

Margin on services

(€ million and as a % of customer APA*)



*Average performing assets.

A STRATEGIC FINANCIAL PARTNER OF THE RENAULT-NISSAN ALLIANCE DISTRIBUTION NETWORKS

RCI Bank and Services stands as a true financial partner of the distribution networks of the Alliance brands by bringing them needs-adapted solutions.

RCI Bank and Services provides financial support to the distribution networks of the Alliance brands in 29 countries.
This role involves several responsibilities, such as ensuring and maintaining the sound financial health of the Alliance distribution networks in all countries and managing, monitoring and controlling the financial risks of dealerships fully independently.

Financing essentials

RCI Bank and Services is tasked with financing all the essentials of the Alliance dealerships to ensure their long-term success. Essentials include new and used vehicle stocks, spare parts, short-term cash needs, and restructuring loans.
To optimize this partnership, RCI Bank and Services is developing digital tools and services to simplify the everyday lives of distributors and customers.

Strong network profitability and controlled cost of risk

The vehicle market grew in 2016 across the entire business scope of dealer financing, apart from in Russia and Brazil.

Excluding these two countries, the increase in Alliance brand sales, driven by the success of new models, had a positive effect on network profitability.

At end-2016, Dealer average performing assets had increased 17.3% to €8.08 billion.

This strong performance was underpinned by the momentum of the brands in Europe, especially in France, Germany and the UK, and by the increasingly upmarket positioning of the vehicles financed.

In this growth environment, the Dealer cost of risk (excluding country risk) remained at a controlled 0.21% of average performing assets.

Despite the ongoing economic crisis in Brazil, the financial restructuring work accomplished with the Dealers and the carmakers led to an improvement in the country.

International expansion and modernization

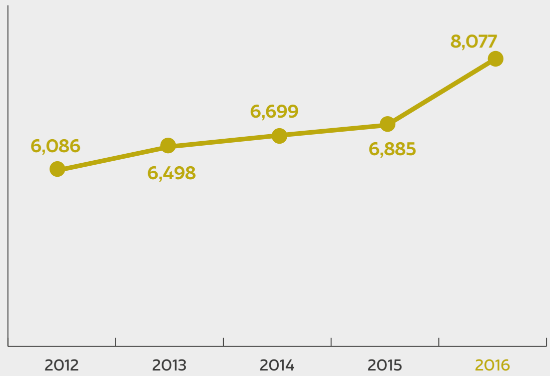
Internationally, RCI Bank and Services continued to develop on several fronts:

- in Colombia, the network inventory financing business started up in late August 2016 (with the launch of the subsidiary) for the 27 dealerships of the Renault brand;
- in Turkey, the network inventory financing business for Groupe Renault new vehicles was launched in November 2016, with implementation to continue through mid-2017.

29
countries
Dealer credit business scope

Dealer average performing assets

(€ million)



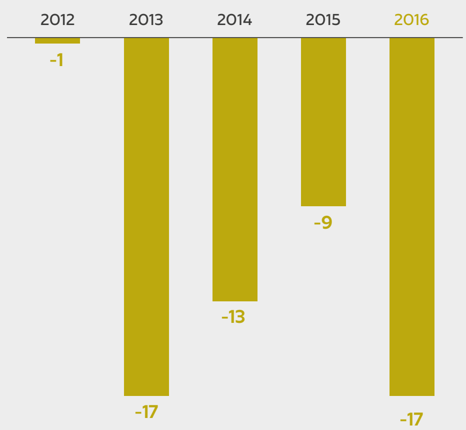
In Europe, support for the Infiniti brand was reflected in the roll-out of network inventory financing in three new countries: Germany, Belgium and the UK.

Also in 2016, work continued on modernizing and simplifying Dealers relations, particularly in France, with the online signature system for dealerships. The customer benefits of this system include rapid processing times, online responses and seamless dialogue.

In 2017, RCI Bank and Services plans to implement inventory financing for the Alpine brand with some 60 European dealerships.

Dealer cost of risk

(€ million, excl. country risk)

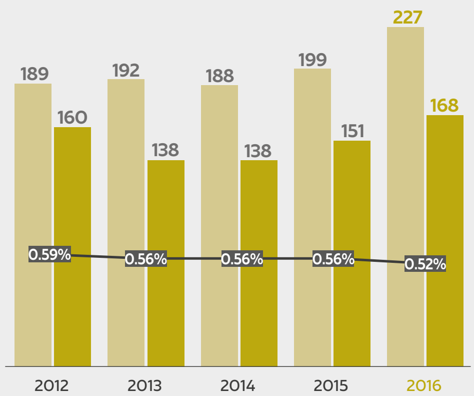


+17.3%

Dealer average performing assets

Results and Dealer operating costs

(€ million and as a % of customer Dealer APA*)



Net banking income

After-tax income

Overhead cost ratio

*Average performing assets.

AN EXCELLENT **YEAR**

RCI Bank and Services posted exceptional sales results in 2016, with 1.6 million new financing contracts, up 12.5%.

In the business scope of RCI Bank and Services, the car market grew 2%.

With registrations of 3.4 million vehicles, the Alliance brands achieved growth of 9.2%, substantially outstripping the market average.

The new-vehicle financing penetration rate[(1)] came out at 41%[(2)], the highest level ever.

Last year was yet another year of strong growth, with nearly 1,564,000 new financing contracts, including over 276,000 contracts for used vehicles.

With over 3.4 million services sold, RCI Bank and Services has confirmed its business diversification.

These excellent performances were achieved by creating financing and service offers adapted to each country and by supporting the sales teams in the brand Dealers.

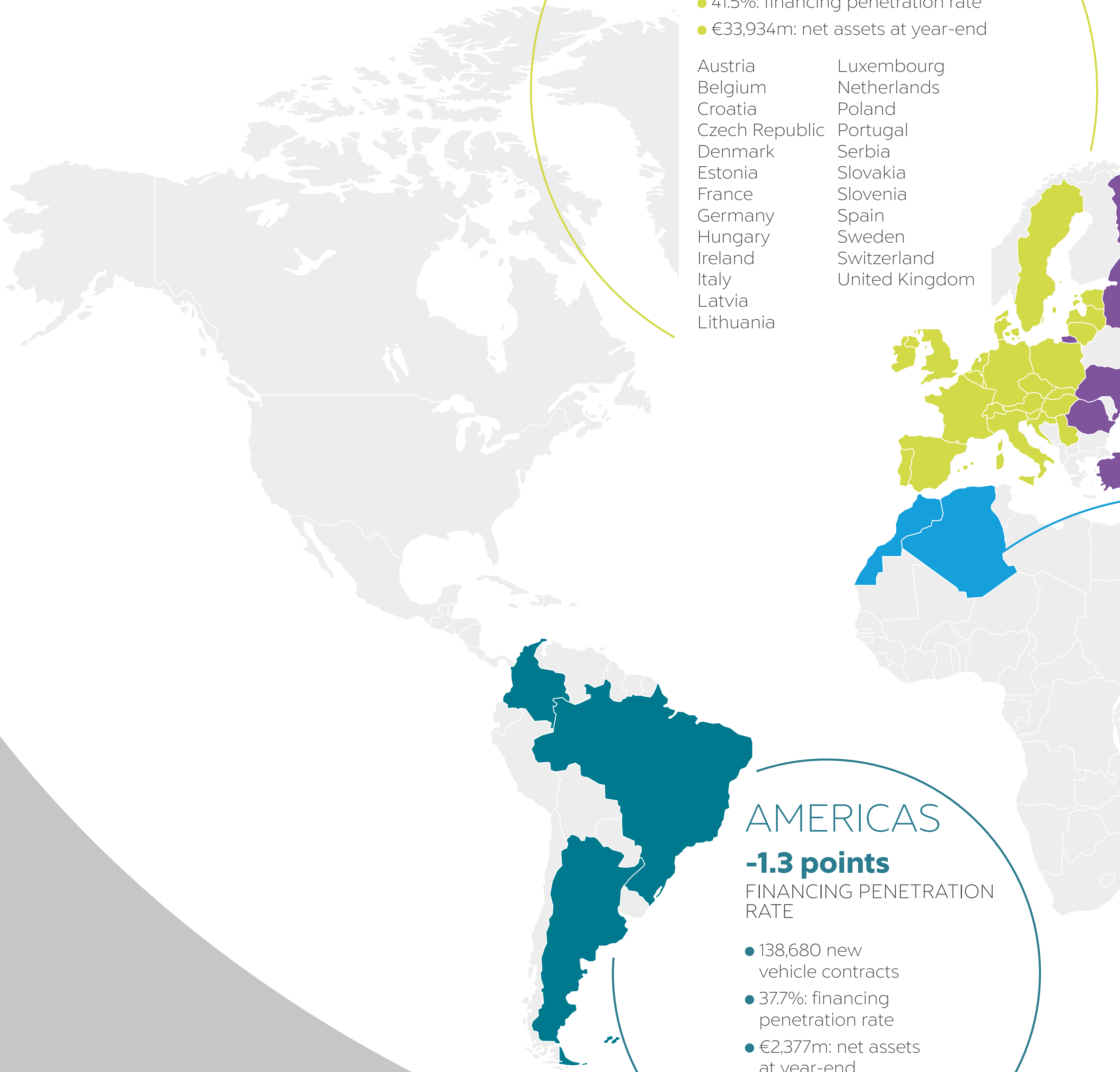
41%
penetration rate[2]

1.3
million new financing contracts for new vehicles

3.4
million services sold

[1] In its business scope, covering 35 countries.
[2] Excluding companies accounted for under the equity method: Russia, Turkey, India.

PROFITABLE **GROWTH MOMENTUM INTERNATIONALLY**



EUROPE

+1.3 points

FINANCING PENETRATION RATE

- 1, 197,130 new vehicle contracts
- 41.5%: financing penetration rate
- €33,934m: net assets at year-end

Austria
Belgium
Croatia
Czech Republic
Denmark
Estonia
France
Germany
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Netherlands
Poland
Portugal
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom

AMERICAS

-1.3 points

FINANCING PENETRATION RATE

- 138,680 new vehicle contracts
- 37.7%: financing penetration rate
- €2,377m: net assets at year-end

Argentina
Brazil
Colombia

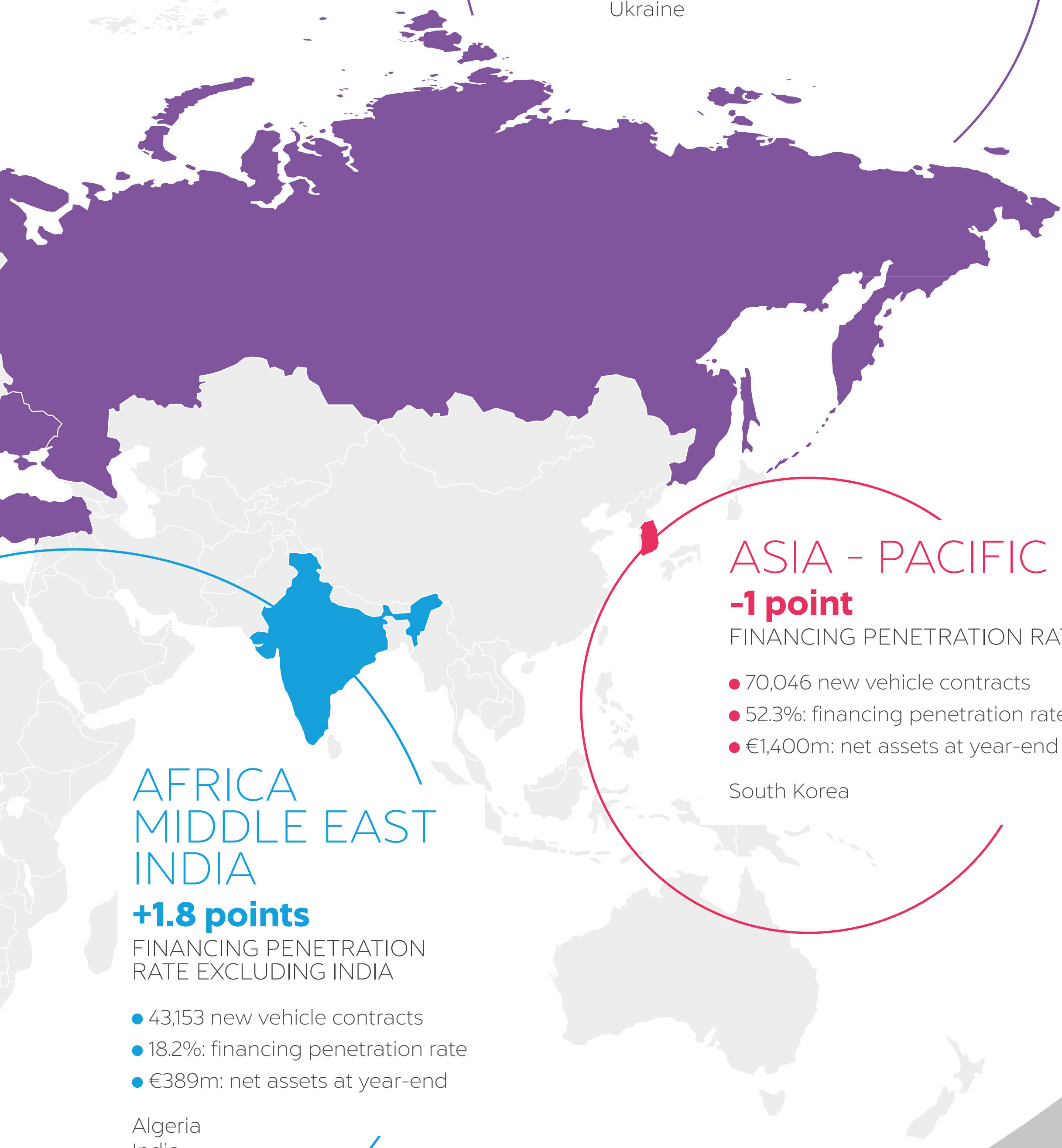
EURASIA

+0.5 points

FINANCING PENETRATION RATE

- 114,945 new vehicle contracts
- 24.7%: financing penetration rate
- €159m: net assets at year-end

Romania
Russia
Turkey
Ukraine



ASIA - PACIFIC

-1 point

FINANCING PENETRATION RATE

- 70,046 new vehicle contracts
- 52.3%: financing penetration rate
- €1,400m: net assets at year-end

South Korea

AFRICA MIDDLE EAST INDIA

+1.8 points

FINANCING PENETRATION RATE EXCLUDING INDIA

- 43,153 new vehicle contracts
- 18.2%: financing penetration rate
- €389m: net assets at year-end

Algeria
India
Morocco

EUROPE
EXCELLENT PERFORMANCES

Driven by the momentum of the European car market, Alliance new vehicle sales increased.
The environment was favorable to RCI Bank and Services, which posted excellent results.

In 2016, in a European car market up 6.8%, Alliance brand registrations rose 9.1% to 2.3 million for a market share of 14.2%.

Renault achieved the biggest increase, rising to the number-two spot in Europe.

Increase in penetration rates

In this favorable environment, the new-vehicle penetration rate all brands combined increased 1.3 points to 41.5%.

Over 958,000 customers financed their new vehicle with RCI Bank and Services, for an increase of 12.6%.

France, Italy and Spain were among the top contributors to the company's strong performance.

In Italy, the penetration rate came out at 57.7%, up 5.3 points. In three years, the subsidiary has doubled its volume of new financing contracts and topped the mark of €2 billion at the end of 2016.

These remarkable results have been driven by a strategy focused on the development of a complete range of financing contracts including services.

In Spain, in a market fueled by the PIVE plan[1], the penetration rate grew 3.4 points to 52.4% thanks to promotional and loyalty offers rolled out to win over new customers.

France topped the mark of €5 billion in new financing contracts. The penetration rate rose 2 points to 44.4% – a record year, with 326,000 new financing contracts.

For Dacia, the year's highlight offers were the euros-per-day offer, rolled out in France, Belgium and Switzerland, and the down-payment assistance offer in the UK. For Renault, Easy Pack in France, Flex Choice in the Netherlands, Preference in Spain and Value Box in Italy fueled the brand's excellent results in the region. Nissan performance was boosted by the Pack Intégral offers, the 0% offer on crossovers in Germany and the 3D+ offer in Spain.

[1] State scrappage bonus.

over
326,000
new financing contracts for new vehicles in France

57.7%

Italy scores the highest penetration rate in Europe

In terms of results per brand, the penetration rate with Renault was 42.8%, up 1.6 points. The penetration rate with Dacia was down 0.4 points, at 44.5%. However, more than one in two Dacia customers financed their new vehicle with RCI Bank and Services in Spain, Italy, Ireland and the UK.

The penetration rate with the Nissan brand was 36.3%, up 1.4 points, with strong performances in Spain, Italy and Portugal, where customers took advantage of an additional discount for financing.

In another highlight performance, sales of services increased 18.4% to over 2.6 million, of which 1 million in France.

Growth in the used vehicle business

The year also saw substantial growth in the used vehicle business, up 18.6%. The number of financing contracts totaled 239,112. Dedicated sales offers were launched in 2016.

Italy launched a financing package with a 5-year warranty for Renault vehicles of under 24 months.

Spain introduced the Renault Economy Pack, with 5 years of financing and UV warranty. These results were driven by special support for dealers from our sales teams.

over 239,000

used vehicles financed in Europe

AMERICAS
GOOD RESULTS DESPITE THE DOWNTURN IN BRAZIL

Performances were contrasted in the Americas Region, with a continued decline in Brazil. RCI Bank and Services nevertheless posted significant successes in Argentina and launched business activity in Colombia.

In the Americas Region, where the environment was contrasted from one country to the next, the financing penetration rate all brands combined came out at 37.7%, down 1.3 points on 2015. Used-vehicle financing volumes grew 28.4%, driven by the strong performance in Argentina in this market.

In Brazil, in a market that contracted 19.8%, the Alliance brands grew their market share to 10.6%, up 0.8 points on 2015. Our penetration rate totaled 39.7%, down 3.1 points. The decrease resulted from a change in the registration mix to the benefit of companies. But the performance in retail financing remained strong, at over 64%.

In Colombia, business activity was launched on August 24, 2016 in partnership with the BBVA group, the aim being to support the Renault brand and attract new customers and gain their loyalty. At end-December, RCI Colombia's penetration rate was 36.1%.

Argentina put in an excellent performance with a financing penetration rate of 33.6%, up 6.1 points. To accompany the Renault network in the used-vehicle market, the subsidiary launched a zero-rate offer (up to 24 months and 100,000 pesos[1]). The initiative proved a successful one, boosting used-vehicle sales, generating a 94% increase in used-vehicle sales and attracting new customers in the new-vehicle market.

[1] Around €6,000.

37.7%

financing penetration rate in the Americas Region

EURASIA
STRONG PERFORMANCES ACHIEVED IN AN UNFAVORABLE ENVIRONMENT

Despite the downturn in the Russian market, RCI Bank and Services enjoyed a number of business successes in the Eurasia Region. These included the launch of the Wholesale Financing activity in Turkey, strong growth in Romania and an increase in the penetration rate in Russia.

In the Eurasia Region, the car market contracted 5.4%. Our financing penetration rate rose slightly, by 0.5 points, to 24.7%. In addition, the number of used-vehicle financing contracts increased 30.6% on 2015 to a total 8,193.

In Russia, in a car market down 10.7%, Alliance sales volumes decreased 14.9%.
However, our financing penetration rate all brands combined grew 2.9 points to 26.9%, driven by strong performances with the Renault, Nissan and Datsun brands. Infiniti was the only brand to report a downturn in the Russian market.
Used-vehicle financing contracts rose considerably in 2016, up 136% on 2015.

In Turkey, the market was impacted by a change in the tax system that curbed private consumption. The new financing penetration rate fell 3.8 points to 22.1%, with Dacia the most impacted brand.
The year saw the launch in November of the network inventory financing business, which will be implemented at all dealerships over the course of 2017.

In Romania, in a car market that grew 9.5%, new financing volumes increased by nearly 44%. The penetration rate with Dacia, the long-standing brand in the Romanian market, rose 4.7 points to 23%. The increase was fueled in particular by Credit Avantaj offers with promotional rates for retail customers.

24.7%

financing penetration rate in the Eurasia Region

ASIA-PACIFIC
OUTSTANDING RESULTS IN SOUTH KOREA

In the Asia-Pacific Region (South Korea), RCI Bank and Services posted outstanding results thanks to record sales of new models launched in 2016 and the success of a new loan offer.

In South Korea, in a stable car market, Renault Samsung Motors (RSM) recorded exceptional sales of 111,000 units with the launch of the SM6 and QM6, achieving its best performance since 2011. More than one RSM customer in two is financed by RCI Financial Services (52.9%).

After the 2015 launch of the Value Box package offer (financing with services and insurance), RCI Financial Services continued to diversify its offers by launching "RSM Smart", a new balloon credit with a purchase option – the first offer of its kind in the South Korean market. Bolstered by a communication plan and training for salespeople, the highly competitive and accessible offer has proved a particular success with younger customers.

The subsidiary also pursued its strategy on the development of services, launching the "Smart Repair" offer to protect its customers against minor vehicle body damage.

In China, a representation office was set up. Financing solutions for Renault customers and dealerships were rolled out through a local cooperative effort with the Nissan finance company and the Alliance partner Dongfeng.

52.9%
of RSM customers financed by RCI Financial Services

AFRICA - MIDDLE EAST - INDIA (AMI)
GROWTH IN FINANCING VOLUMES

Through attractive financing and service offers, RCI Bank and Services improved its performance in Morocco and India. Another highlight in 2016 was the return of a loan offer in Algeria.

In the Africa - Middle East - India Region, the market grew 1.8 points and Alliance brand registrations increased by a substantial 74.8%. The penetration rate rose 1.8 points to 18.2%.

+1.8
points in the penetration rate in the AMI Region

In Morocco, the new financing contracts penetration rate totaled 34%, up 1.3 points on 2015.
At the Casablanca Motor Show in May 2016, RCI Finance Maroc launched an innovative offer with four deferred payments and a maintenance service for one dirham. Out of 6,500 Renault and Dacia orders, 3,500 customers opted for RCI Finance Maroc financing, constituting a record performance for the subsidiary.

In Algeria, following the re-introduction of consumer credit for locally-produced vehicles, over 5,000 customers financed their vehicle with the offer created by RCI Services in partnership with BNP Paribas.
The credit offer intended for the production of the Renault plant in Oran was the first such offer to be introduced on the market.
To support the launches of Renault Symbol and Dacia Sandero Stepway, a highly competitive financing offer was made available to customers, including an original "one-stop-shop offer"[1] unique in Algeria.

In India, over 22,000 customers financed their vehicle with NRFSI, a joint venture created with Nissan.
We posted a 5.9-point increase in our performance, achieving a 12.6% penetration rate at end-2016.
Renault Kwid accounted for 60% of all financing contracts.
At the end of the year, NRFSI launched a packaged credit offer with services at low monthly rates.
The success of the offer spurred the sales of Kwid, which joined the ranks of the top-ten best-selling cars in India.

[1] Customers can buy their car and obtain financing at the same time at a dealership.

INTERNATIONAL **GROWTH MOMENTUM**

PASSENGER CAR AND LIGHT COMMERCIAL VEHICLE MARKET[1]		Financing penetration rate RCI Banque (%)	New vehicle contracts (thousands)	New financing contracts excl. cards and personal loans (€m)
Europe	**2016**	**41.5**	**1,197**	**15,175**
	2015	40.2	1,053	13,054
o/w Germany	**2016**	**39.9**	**155**	**2,196**
	2015	43.3	146	2,025
o/w Spain	**2016**	**52.4**	**139**	**1,611**
	2015	49.0	118	1,271
o/w France	**2016**	**44.4**	**425**	**5,270**
	2015	42.4	384	4,515
o/w Italy	**2016**	**57.7**	**163**	**2,168**
	2015	52.4	124	1,577
o/w the UK	**2016**	**33.5**	**146**	**2,132**
	2015	34.5	133	2,219
o/w other countries	**2016**	**29.2**	**170**	**1,797**
	2015	28.2	147	1,447
Asia-Pacific (South Korea)	**2016**	**52.3**	**70**	**1,014**
	2015	53.3	55	814
Americas	**2016**	**37.7**	**139**	**1,084**
	2015	39.0	143	1,139
o/w Argentina	**2016**	**33.6**	**42**	**291**
	2015	27.5	26	227
o/w Brazil	**2016**	**39.7**	**96**	**793**
	2015	42.8	116	912
Africa-Middle East-India	**2016**	**18.2**	**43**	**224**
	2015	16.4	22	150
Eurasia	**2016**	**24.7**	**115**	**437**
	2015	24.2	117	448
Total RCI Banque group	**2016**	**37.7**	**1,564**	**17,933**
	2015	37.1	1,390	15,605

(1) Figures refer to the passenger car (PC) and light commercial vehicle (LCV) markets.
(2) Net assets at end: net total outstandings + operational lease transactions net of depreciation and impairment.
Sales activity indicators (penetration rate, new contracts, new financing) include companies accounted for under the equity method.

Net assets at end of year[2] (€m)	of which customer net assets[2] at end of year (€m)	of which dealer net assets at end of year (€m)	Average performing assets (€m)	Net banking income (€m)	Pre-tax income (€m)
33,934 28,182	**24,408** 20,609	**9,526** 7,573	**29,574** 24,762	**1,189** 1,012	**731** 632
5,871 4,788	**4,402** 3,688	**1,469** 1,100	**5,207** 4,369	**184** 111	**127** 103
3,426 2,568	**2,656** 2 049	**770** 519	**2,965** 2,304	**95** 81	**65** 54
11,632 10,185	**8,253** 7,195	**3,379** 2,990	**10,136** 8,929	**346** 325	**184** 172
4,251 3,199	**3,156** 2,418	**1,095** 781	**3,491** 2,732	**72** 86	**33** 41
4,548 4,276	**3,635** 3,440	**913** 836	**4,356** 3,726	**106** 110	**66** 76
4,206 3,166	**2,306** 1,819	**1,900** 1,347	**3,419** 2 701	**388** 299	**256** 185
1,400 1,161	**1,389** 1,144	**11** 17	**1,200** 1,107	**54** 56	**36** 39
2,377 1,999	**1,925** 1,617	**452** 382	**2,090** 2,396	**190** 216	**119** 144
379 229	**289** 189	**90** 40	**284** 269	**55** 69	**39** 57
1,998 1,770	**1,636** 1,428	**362** 342	**1,806** 2,127	**136** 147	**80** 87
389 338	**321** 275	**68** 63	**331** 291	**23** 19	**11** 11
159 104	**149** 99	**10** 5	**117** 91	**12** 12	**15** 13
38,259 31,784	**28,192** 23,744	**10,067** 8,040	**33,313** 28,647	**1,472** 1,315	**912** 838

FINANCIAL AND CSR REPORTS

CONTENTS

FINANCIAL POLICY

In 2016, the ECB (European Central Bank) continued with its expansionary monetary policy. In March, it unveiled a new series of monetary policy measures to boost Europe's economic recovery and raise inflation. Key rates were cut to record lows, with the lowest bound down to -0.40%. Further rounds of long-term liquidity injections in the shape of TLTROs (Targeted Longer-Term Refinancing Operations) were introduced. The ECB also launched the Corporate Sector Purchase Programme under which it started buying corporate bonds issued by European companies.

In the United States, the FED (Federal Reserve), which had initiated a monetary tightening cycle at the end of 2015, decided to wait until December before raising its key interest rate, on account of the slowdown in global growth, electoral uncertainties and the very accommodating monetary policies implemented by other major central banks.

In June 2016, the British people voted to take the United Kingdom out of the European Union, thereby opening the door to a period of volatility and uncertainty.

Spreads on the bonds issued by RCI Banque saw mixed fortunes during the year. After widening suddenly in early January when investors' attention was focused on pollutant emissions in the automotive sector, they entered into a phase of narrowing and this process accelerated when the ECB announced its private bond purchase program. Their levels during the summer were similar to those at the end of the first half-year 2015, nearing record lows.

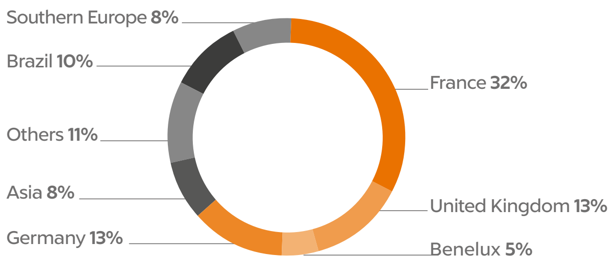
During the fall, spreads widened until 8 December, when the ECB announced that its bond-buying scheme would be extended to end-2017.

In 2016, RCI Banque S.A. launched five bond issues in public format, for a total amount of €3,350 million. The first, a three-year €500 million bond, posted a floating rate coupon. The following four, a seven-year €600 million bond, a three-year €750 million bond, a seven-year €750 million bond and a five-year €750 million bond, were issued at fixed rates. The success of the two seven-year issues, a long maturity used for the first time in 2014, helped to diversify the group's investor base and shows investors confidence in the strength of the company.

At the same time, a number of two to three-year private placements were also executed, for a total of €1.1 billion. RCI Banque also carried out a public securitization transaction backed by German auto loans, of which €500 million were placed with investors. This transaction replaces the one launched in December 2013 that started to amortize since end-2014.

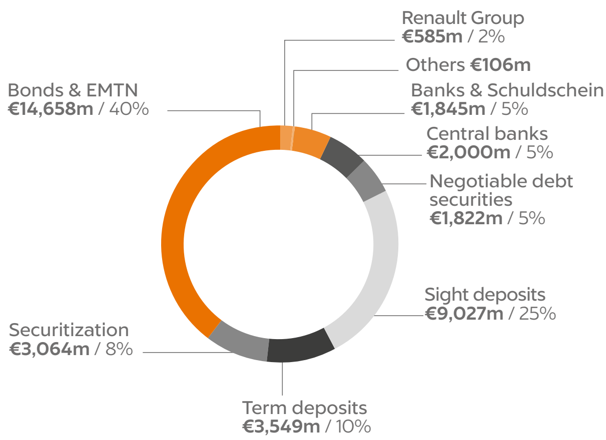
Geographical breakdown of new resources with a maturity of one year or more

(excluding deposits and TLTRO)
as at 31/12/2016



Structure of total debt

as at 31/12/2016



This combination of maturities, types of coupon and issue formats is part of the strategy implemented by the group for a number of years to diversify its sources of funding and reach out to as many investors as possible.

Outside Europe, the group's entities in Brazil, South Korea, Morocco and Argentina also tapped their domestic bond markets.

Retail customer deposits increased by €2.3 billion over the year to €12.6 billion at 31 December, representing approximately 33% of net assets at year-end, in line with the company's goal of collecting retail deposits equivalent to one third of the financing granted to its customers.

These resources, to which should be added, based on the European scope, €4.1 billion of undrawn committed credit lines, €2.6 billion of assets eligible as collateral in ECB monetary policy operations, €1.3 billion of high quality liquid assets (HQLA) and €0.3 billion of short term financial assets, enable RCI Banque to maintain the financing granted to its customers for more than 10 months without access to external sources of liquidity.

In a complex and volatile environment, the conservative financial policy implemented by the group for a number of years proved especially justified. This policy protects the commercial margin of each entity while securing the refinancing required for its business activities. It is defined and implemented at a consolidated level by RCI Banque and applies to all sales financing entities within the group.

The strength of the group's balance sheet is also evidenced by very low market risks (interest rate, currency and counterparty risks), which are monitored daily on a consolidated basis.

RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€40 million until 05 December, €50 million since then).

At 31 December 2016, a 100-basis point rise in rates would have an impact of:

+€12.3 million in EUR,

-€0.1 million in ARS,

-€0.1 million in BRL,

+€3.6 million in CHF,

+€0.5 million in GBP,

-€0.1 million in KRW,

+€1.4 million in MAD,

+€0.3 million in PLN.

The absolute sensitivity values in each currency totaled €18.6 million.

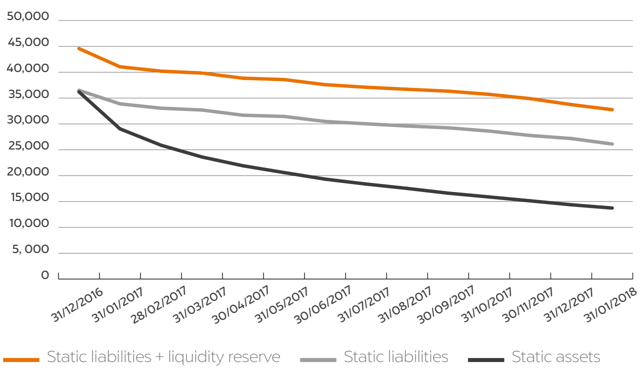
The RCI Banque group's consolidated foreign exchange position totaled €8.85 million at 31/12/2016.

Changes in the structure of total debt

(in million euros)

Static liquidity position*

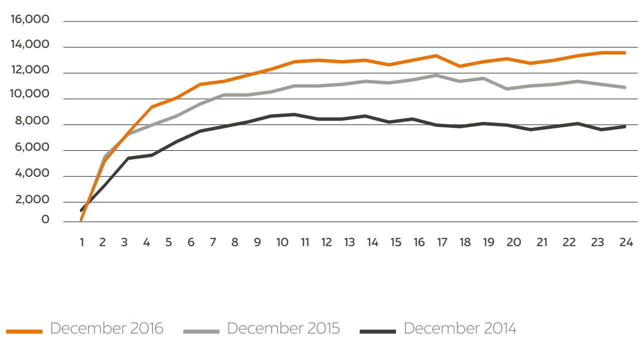
(in million euros)



* Scope: Europe.

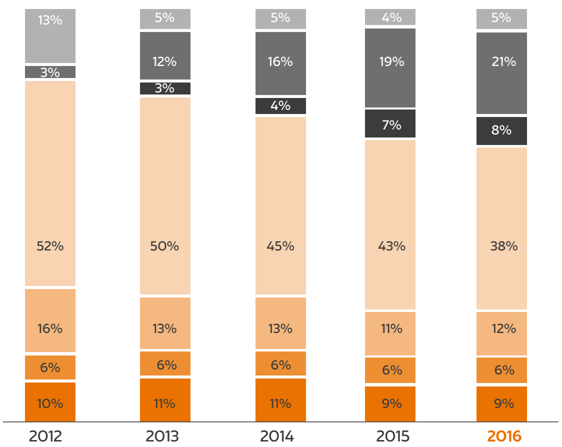
Static liquidity gap*

(in million euros)



Breakdown of liabilities

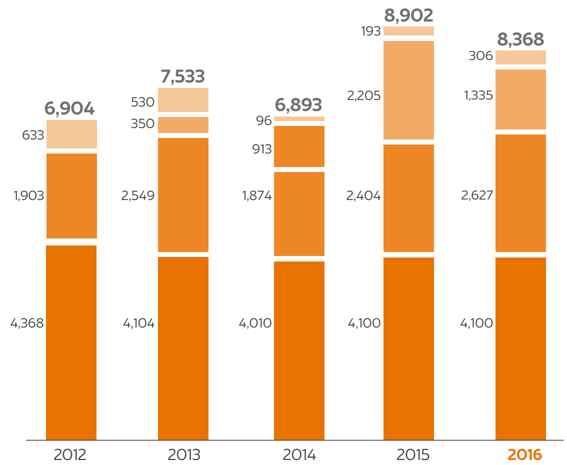
as at 31/12/2016



- Short-term debt
- Sight deposits
- Term deposits
- Senior long term debt
- Secured long term debt
- Other Liabilities
- Own equity

Liquidity reserve*

(in million euros)



- Short term financial assets (excluding HQLA)
- Liquid assets (HQLA)
- ECB-eligible assets
- Committed credit lines

* Scope: Europe.

RCI Banque group's programs and issuances

The group's issuances are concentrated on six issuers: RCI Banque, DIAC, Rombo Compania Financiera (Argentina), RCI Financial Services Korea Co Ltd (South Korea), Banco RCI Brasil (Brazil) and RCI Finance Maroc (Morocco).

Issuer	Instrument	Market	Amount	S&P	Moody's	Others
RCI Banque S.A.	Euro CP Program	Euro	€2,000m	**A-2** (stable outlook)	**P2** (stable outlook)	**R&I: A-2** (positive outlook)
RCI Banque S.A.	Euro MTN Program	Euro	€17,000m*	**BBB** (stable outlook)	**Baa1** (stable outlook)	**R&I : BBB+** (positive outlook)
RCI Banque S.A.	NEU CP** Program	French	€4,500m	**A-2** (stable outlook)	**P2** (stable outlook)	
RCI Banque S.A.	NEU MTN*** Program	French	€2,000m	**BBB** (stable outlook)	**Baa1** (stable outlook)	
Diac S.A.	NEU CP** Program	French	€1,000m	**A-2** (stable outlook)		
Diac S.A.	NEU MTN*** Program	French	€1,500m	**BBB** (stable outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS1,400m		**Aa2.ar** (stable outlook)	Fix Scr: **AA (arg)** (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,215bn****			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL2,844m****		**Aaa.br**	
RCI Finance Maroc	BSF Program	Moroccan	MAD1,000m			

* Increase of the Euro MTN program size as of 16 March 2017.
** "Negotiable European Commercial Paper" (NEU CP), new name for french "Certificats de Dépôts".
*** "Negotiable European Medium-Term Note" (NEU MTN), new name for french "Bons à Moyen Terme négociables".
**** Outstandings.

RISKS - PILLAR III

INTRODUCTION

The following information concerning RCI Banque's risks is provided to meet the requirements of transparency or Pillar III imposed by Regulation (EU) 2013/575 (or CRR) on prudential requirements, supplementing directive 2013/36/EU (or CRD IV) on the activity and supervision of credit institutions and investment firms.

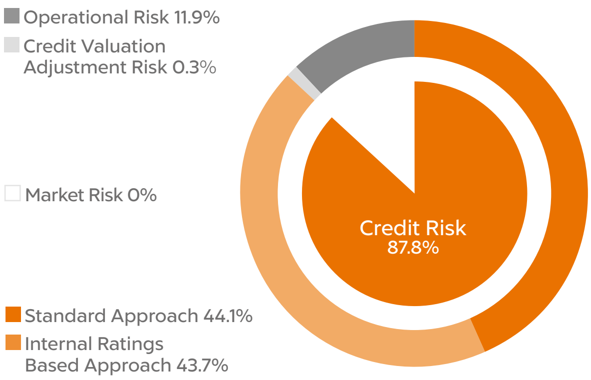
It is published on a consolidated basis (article 13 of the CRR) and meets the requirements set out in part 8 of the CRR (articles 431 to 455). A cross-reference table links the regulatory recommendations and the headings that concern the disclosure of this information.

Pillar III 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 non-material, proprietary or confidential information is omitted in this respect (article 432 of the CRR).

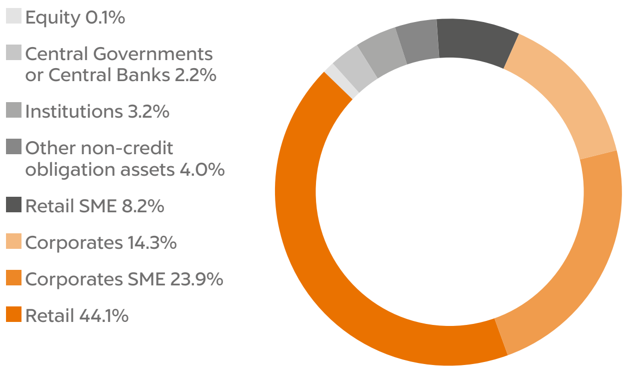
KEY FIGURES

Prudential Ratios	
CET 1 phased-in Solvency ratio	15.74%
Phased-in Leverage Ratio	8.63%
LCR - Arithmetic Average of the past three months	170%
ROA - Return on Assets	
ROA - Return on Assets	1.4%

Own Funds Requirements by Type of Risk



Exposure by Exposure Class



I - GOVERNANCE AND ORGANIZATION PRINCIPLES OF RISK MANAGEMENT

A - RISK GOVERNANCE POLICY RISK APPETITE FRAMEWORK

RISK GOVERNANCE POLICY: KEY PRINCIPLES

The capacity to control actual or potential risks in its day-to-day activities, share the right information, take the necessary measures in good time and promote responsible conduct at all levels of the company are key performance factors for the RCI group, and the pillars of its risk management mechanism.

Therefore, in accordance with the regulatory requirements (CRD IV/CRR), the RCI group's Risk Governance policy, adopted by General Management and the Board of Directors of RCI Bank and Services, is built around the following principles:

- identifying the main risks faced by RCI Banque, with regard to its "business model", its strategy and the environment in which it operates;
- the Board of Directors determining and formally defining risk appetite and conscious of it in when setting strategic and commercial objectives;
- clarifying the roles of all parties involved in risk management and raising awareness amongst all managers about due compliance with Risk Governance Policy;
- improving vertical and horizontal communication channels and reporting lines to ensure alerts escalation to the right level and timely treatment of any overruns of set risk limits;
- risks are controlled by functions independent from operational functions.

The Risk Governance Policy applies to all RCI entities worldwide and is deployed at all levels of the organization, in each business line, for all risks and processes.

The list of risks identified in the group's mapping undergoes regular review (at least once a year), and any modifications thereto is subject to a prior consistency check with regard to the ICAAP/ILAAP standards.

The risk governance system is an integral part of RCI's general governance: it reflects the requirements and guidelines laid down by the Board of Directors and promotes a risk approach at all levels of the organization, inter alia via the risk appetite framework.

As such, risk management guidelines are taken into account when drawing up each business plan and entail an examination of the related risks. This analysis is orchestrated by the chief risk officer and forms an integral part of the plan submitted to the Board of Directors' Strategic Committee for approval.

The governing bodies (Executive Committee, Board of Directors' Risk Committee) ensure consistency and balance between:

- business development strategy and commercial objectives and
- risk strategy and associated risk guidelines.

RCI Banque's Board of Directors confirms that the risk management systems in place are adequate to preserve the company's liquidity and solvency with regard to its strategy and its risk profile.

Conscious of continually improving its risk management process, RCI Banque has planned to engage in comprehensive data governance project within the group during the course of 2017.

RISK APPETITE FRAMEWORK

The "RAF" ("Risk Appetite Framework") defined by the Board of Directors is the group's guiding line of conduct in the field of risk strategy, which lays down the principles and limits in accordance with RCI Banque's strategy in the company.

As part of this framework, "Risk Appetite" is defined for RCI Banque as the aggregate level and types of risks that the Board of Directors is willing to assume, in line with the company's risk capacity to achieve its strategic and commercial objectives.

At operational level, risk appetite is reflected by relevant limits and alert thresholds. The indicators, which may be qualitative and/or quantitative used to set these limits, are in place for the company's major risks, as is the alerts' escalation process up to the Board of Directors.

The RCI Board of Directors' Risk Committee ascertains the smooth running of this process, which is subject to a general review at least once a year. In parallel, the most critical risks are presented quarterly to the Board of Directors' Risk Committee.

B - ORGANIZATION OF RISK CONTROL

The overall risk monitoring process at RCI is managed at three levels by distinct functions:

- **The 1st level of control** is performed by operational staff in charge of risk management on a daily basis as part of their usual activities within the respective area of responsibility. They decide on and are responsible for risk-taking with in the operations they conduct to achieve goals assigned to them. They exercise such responsibility in compliance with the risk management rules and limits set by the "Corporate" risk steering functions.
- **The 2nd level of control comprises:**
  - the "Corporate" risk steering functions (business-lines) in charge of risk definition, rules, management methods, measurement and monitoring at company level. Each department within its area of responsibility oversees the risk management process through guidelines and objectives transposed on country level. Risks are monitored at dedicated periodic committee meetings both in the local subsidiaries and at corporate level.
  - the risk management/control division, which,
    - ensures the reliability of risk assessment indicators, the completeness of risk steering mechanisms for each risk and the effectiveness of such risk monitoring;
    - ensures that risk policies are consistent with the risk appetite framework ("RAF");
    - more specifically ascertains the effectiveness of the reporting and alert escalation channels and the appropriateness of the corrective measures worked out in the event of default;
    - plays a key role in monitoring the compliance of company business practices with applicable regulations.
- The internal audit function represents the 3rd level of control and aims to provide RCI Banque's Board of Directors and General Management with an overview on effective level of business operations' control and risk steering and management performed by the first two levels.

These three risk controlling lines report to the following committees:

- the Board of Directors and its specialist committees, including the group Risk Committee and the Audit and Accounting Committee,
- the Executive Committee,
- the operational risk management committees within the company's functions (at local and central level).

THE GOVERNING BODIES

- **Board of Directors**

The members of the Board of Directors, like the executive directors, are appointed on the basis of their worthiness, their expertise of the company's activity and lines of business, their technical and general skills and their experience, acquired for some of them through their duties in shareholding companies.

In addition, they collectively have the knowledge, expertise and experience to understand all the company's activities, including the main risks to which it is exposed, the sales finance sector, the Renault-Nissan Alliance and the automotive industry.

They each fulfill their duties in accordance with current regulations concerning limits on plurality of offices.

The Board of Directors had two female and five male members at 31 December 2016.

On the recommendation of the Nominating Committee and as required by French law, the Board of Directors has set the target of gradually achieving a minimum of 40% of directors of each gender, favoring applications by women for forthcoming appointments.

As part of its oversight remit, in order to guarantee effective and prudential management of the establishment, the Board of Directors determines RCI's risk profile in line with set strategic objectives, gives executive directors and the Executive Committee guidance on risk management for implementation/adaptation within the group, and supervises implementation thereof.

To that end, the RCI Banque's Board of Directors relies on five specialist committees: the Risk Committee, the Audit and Accounting Committee, the Remuneration Committee, the Appointments Committee and the Strategic Committee.

Among these committees, the Risk Committee advises the Board of Directors on strategy and appetite for risks of any kind, both current and potential, and assists it in supervising implementation of this strategy. This committee met four times during financial year 2016.

The roles of all these committees are described in the financial security section of the annual report.

- **The Executive Committee**

The Executive Committee is the reference body to approve action plans when alert thresholds or limits are exceeded. It is also the body that makes trade-off decisions in case when risk reduction measures affect other company objectives. The Executive Committee oversees the activity and risks in accordance with the guidelines ("Risk Appetite Framework") laid down by the Board of Directors via the Risk Committee.

• **Other bodies in charge of risk assessment and control**

At group level, each risk is assessed by specialist committees, which are more specifically in charge of:

- setting risk objectives in line with the applicable risk policy and the risk appetite framework ('RAF'),
- formally defining the scope of risk steering exercised, ensuring that the established alert thresholds and limits are duly observed,
- improving risk management methods and tools as much as it is necessary.

At local level, the dedicated committees control the operational management of risks in line with the defined framework.

C - RISK PROFILE – RISK APPETITE STATEMENT

The risk profile reflect over all risks inherent in RCI Banque's activities in Europe and throughout the world, which are identified in the group's risk mapping and which are regularly assessed.

The risk profile is taken into account when working out and implementing rules and guidelines on managing the said risks, more particularly to steer decision-making on risks in line with the Board of Directors' risk appetite level and RCI group strategy.

The risk profile is monitored with indicators and limits tracked once a quarter in the risk dashboard the Board of Directors' Risk Committee.

RCI Banque aims to support the business development of the Renault-Nissan Alliance's car brands, in particular through its key role in financing dealership networks and in developing customer loyalty. This is reflected in:

• maintaining high levels of profitability and solvency, which is the guarantee of the reliability of this commitment vis-à-vis the shareholder;

• a refinancing policy based on diversifying of funding sources and on building up adequate liquidity reserves;

• developing multichannel financing and services offers that ensure a continuing relationship with customers, to meet their expectations and that enhance the group's public image.

Responsable and measured approach is in the center of a risk-taking decision process at RCI. The main risks are subject to a strict risk steering framework, in line with the risk appetite defined by the Board of Directors:

- the **solvency risk** is controlled with a view to maintain a necessary security margin with regard to prudential requirements and an "investment grade" rating level by credit rating agencies;
- the **liquidity risk** is assessed and controlled daily. It is managed in the way to of ensure the company's continuity of business during a minimal period in various stress scenarios, including in case of financial markets closure assumption and mass withdrawals of deposits. A limit of 6 months' business continuity has been set for centrally funded subsidiaries (3 months for locally funded subsidiaries' funding), with the associated alert thresholds set considerably below such levels.
- the **credit risk:**

  a) the **retail and corporate customer risk is monitored** both from portfolio and from new business perspective. Its management is based on tracking the cost of risk in relation to set targets;

  b) the **wholesale risk** is controlled by monitoring the financial situation of dealers, thus contributing to the control of credit risk on outstandings, while ensuring the dealers' network sustainability;

For these two risks the target consists to keep the overall cost of risk at a consolidated level below or equal to 1% of outstandings.

- the **interest-rate risk** is monitored daily and controlled by a sensitivity limit of €50m if interest rate variation exceeds 100 basis points;
- **operational risks** including risks of non-compliance (legal, tax, AML-TF, fraud, reputational, IT, personal data protection, etc.) are covered by a relevant risk mapping, specific procedures and controls, and are subject to monitoring by dedicated committees. Reporting at Board of Directors' Risk Committee and/or Executive Committee level ensures compliance with alert thresholds and limits, set in order to minimize any risk of penalties and harm to the company's image and reputation.

D - STRESS TESTS

Stress tests or what-if analyses are a favored measurement of the resilience of the group, its activities and portfolios, and form an integral part of its risk management. Stress tests are based on hypothetical, harsh yet plausible economic scenarios.

The stress tests process includes:

- an overall annual stress exercise as part of the ICAAP process (Internal Capital Adequacy Assessment Process). It covers all the group's activities and in 2016 was based on three scenarios: a central scenario based on the budget trajectory, a severe yet plausible stress scenario and a reverse stress test. Projections of potential losses in respect of the establishment's risks are estimated over a three-year period;
- liquidity stress tests ensure that the time frame in which the group can continue to operate is assured in a stressed market environment;
- stress tests determine the group's sensitivity to interest-rate and foreign exchange risk. Interest-rate risk is measured with the aid of yield curve translation and

distortion scenarios. Foreign exchange risk is measured as the sum of forex positions in each pair of currencies, stated in absolute value;

- stress tests conducted by the EBA (European Banking Authority) or within the supervisory framework of the ECB (European Central Bank) on the basis of a methodology common to the participating banks.

E - REMUNERATION POLICY

Remuneration policy is presented to and approved by the Remuneration Committee and the Board of Directors.

At 31 December 2016 the Remuneration Committee's members were C. Delbos, T. Koskas and S. Stoufflet. The Remuneration Committee met four times in 2016.

The fixed portion of the remuneration reflects the level of responsibility of the post.

The variable part of the remuneration is intended to reward performance. This variable part depends to a great extent on the RCI Banque group's consolidated net financial income and its commercial performance. The variable part is capped at a percentage of the fixed salary. This percentage is much lower than 100%, so RCI Banque complies with regulations on variable remuneration.

The criteria used to measure performance are the group's consolidated net margin ratio, the gross margin on new finance and service contracts, measured per country and on a consolidated basis, the operating ratio and the individual contribution assessed by the person's immediate superior. The net margin ratio, which is influenced by the risks to which RCI Banque is exposed, is a key element in the variable remuneration mechanism. Because if the net margin ratio target is not achieved, the variable remuneration cap is materially restricted.

If however this target is achieved, commercial performance is included. The above parameters have been chosen firstly to reward achievement of commercial targets and secondly to factor in net financial income, which includes all the costs incurred by the company, in particular those relating to risks taken.

In financial year 2016, 82 persons had a significant impact on the risk profile. Their fixed salaries in 2016 totaled €9,322,962. Their variable pay in 2016 totaled €2,637,400.

As RCI Banque's activities exclusively concern motor vehicle financing and services, there is no need for a breakdown of these amounts by line of business.

No employees receive an annual remuneration in excess of €1,000,000.

From financial year 2016, part of the variable remuneration will be spread over a three-year period.

For financial year 2016, remuneration paid by the RCI Banque group to members of the management body totaled €2,786,946.

RCI Banque does not award any shares or stock options.

II - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

A - APPLICABILITY – PRUDENTIAL SCOPE

The prudential scope used to calculate the solvency ratio is the scope of consolidation described in the IFRS notes to the financial statements, with the exception of the exemptions described below in respect of CRR prudential consolidation methods.

RCI Banque has not opted for the so-called "conglomerates" option; therefore the solvency ratio is calculated "exclusive of insurance", eliminating the group insurance companies' contributions from the numerator and the denominator.

Exemptions in respect of chapter 2 section 2 of the CRR (regulatory consolidation):

Insurance companies based in Malta are recognized by the equity method, in accordance with article 18.5 of the CRR.

Furthermore, entities consolidated for accounting purposes by the proportional consolidation method before application of IFRS 11 and now deemed consolidated for accounting purposes by the equity method, remain prudentially consolidated by the proportional consolidation method in accordance with article 18.4 of the CRR. Information on these entities and their consolidation method for accounting purposes is presented in note 8 to the consolidated financial statements.

With regard to liquidity ratios, only entities fully consolidated within the prudential scope are retained, in accordance with article 18.1 of the CRR.

Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Carrying values of items subject to				
In millions of euros	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Not subject or deduction from capital
Assets							
Cash and balances at central banks	1,040	1,040	1,040				
Derivatives	238	238		238			
Financial assets AFS and other financial assets	955	896	896				
Amounts receivable from credit institutions	1,024	1,023	1,023				
Loans and advances to customers	37,923	38,190	38,303				-113
Current tax assets	360	44	44				
Deferred tax assets	106	86	37				49
Adjustment accounts & miscellaneous assets	748	882	882				
Investments in associates and joint ventures	97	127	127				
Operating lease transactions	715	715	715				
Tangible and intangible non-current assets	28	28	22				6
Goodwill	86	86					86
Total assets	**43,320**	**43,355**	**43,089**	**238**			**28**

In millions of euros	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items subject to				
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Not subject or deduction from capital
Liabilities							
Central Banks	2,000	2,000					2,000
Derivatives	97	97		18			80
Amounts payable to credit institutions	1,845	1,845					1,845
Amounts payable to customers	13,267	13,775	22				13,753
Debt securities	19,544	19,544					19,544
Current tax liabilities	116	49					49
Deferred tax liabilities	333	332					332
Adjustment accounts & miscellaneous liabilities	1,556	1,494					1,494
Provisions	147	147					147
Insurance technical provisions	343						
Subordinated debt - Liabilities	12	12					12
Equity	4,060	4,060					4,060
Total liabilities	**43,320**	**43,355**	**22**	**18**			**43,315**

The main difference between the two scopes is explained by the change in consolidation method for the Turkish entity, recognized by the equity method for accounting purposes and by the proportional consolidation method for regulatory purposes, as well as by the group's insurance companies, which are fully consolidated for accounting purposes but recognized by the equity method for regulatory purposes.

Main sources of differences between regulatory exposure amounts and carrying values in financial statements

In millions of euros	Total	Items subject to			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation	43,327	43,089	238		
Liabilities carrying value amount under regulatory scope of consolidation	40	22	18		
Total net amount under regulatory scope of consolidation	**43,287**	**43,067**	**220**		
Off-balance sheet amounts	1,876	1,876			
Differences in valuations	120	6	114		
Differences due to different netting rules, other than those already included in row 2	-713	-713			
Differences due to consideration of provisions	445	445			
Exposure amounts considered for regulatory purposes	**45,014**	**44,680**	**334**		

Subsidiaries not included in the scope of consolidation are commercial entities without minimum capital requirements, with the exception of our credit institution in Colombia, created in 2016 (RCI Colombia).

B - 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.

Risk-weighted assets and solvency

In millions of euros	Risk-weighted assets 31/12/2016	Risk-weighted assets 31/12/2015
Credit risk	21,741	19,061
- *of which Internal rating based (IRB) method*	*10,821*	*10,435*
- *of which standardized method*	*10,920*	*8,626*
Market risk		
Credit Valuation adjustment risk	85	108
Operational risk (*)	2,945	2,801
Total risk weighted assets (*)	**24,771**	**21,970**
Total prudential capital	**3,907**	**3,346**
Core Tier 1 capital	3,900	3,326
Overall Solvency ratio (*)	15.77%	15.23%
Core Tier 1 Solvency ratio (*)	15.74%	15.14%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical requireemnts, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	0.64%	
- *of which conservation buffer*	*0.63%*	
- *of which countercyclical buffer*	*0.01%*	
Common Equity Tier 1 available to meet buffers (as a percentage of RWA)	11.24%	10.64%

(*) Adjustment of the operational risk calculation at 31/12/2015

The overall solvency ratio "Pillar I" stood at 15.74% on 31 December 2016 (including Core Tier one 15.77%) against 15.14% at 31 December 2015 (including Core Tier one 15.23%). The calculation includes a methodological adjustment concerning the capital requirement in respect of operational risk.

Total own funds exceed the "Basel I" floor.

Total weighted risks are up by €2,801 million, due in particular to the €2,680m increase in credit risk and the €144m increase in operational risk. This trend reflects the overall increase in activity of the RCI Banque group.

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

At the end of December 2016, RCI Banque must apply the following capital buffers:

- a capital conservation buffer of 0.625% of total risk-weighted exposures;
- a 1.0% countercyclical capital buffer applied to exposures in Sweden, representing 0.0064% of total risk-weighted exposures.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

En millions d'euros	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	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	Own funds requirement weights	Countercyclical capital buffer rate
Breakdown by country												
Argentina	382						26			26	0.02	
Austria	575						40			40	0.02	
Belgium	435						35			35	0.02	
Brazil	1.880						120			120	0.07	
Swiss	854						59			59	0.03	
Czech Republic	221						16			16	0.01	
Germany	299	6,102					125			125	0.07	
Spain	448	3,167					133			133	0.08	
France	1,260	11,716					453			453	0.27	
Great-Britain	719	4,086					172			172	0.10	
Hungary	68						5			5		
Ireland	415						29			29	0.02	
India	31						6			6		
Italy	465	4,102					163			163	0.10	
South Korea	121	1,367					44			44	0.03	
Morocco	454						32			32	0.02	
Malta	55						11			11	0.01	
Netherlands	575						47			47	0.03	
Norway	10											1.00%
Poland	577						43			43	0.03	
Portugal	586						44			44	0.03	
Romania	168						11			11	0.01	
Russia	230						19			19	0.01	
Sweden	213						17			17	0.01	1.00%
Slovenia	194						14			14	0.01	
Slovakia	33						3			3		
Turkey	269						18			18	0.01	
United States	2											
Total all countries	**11,538**	**30,540**					**1,684**			**1,684**	**1.00**	**0.01%**

Amount of institution-specific countercyclical capital buffer

In millions of euros	Amounts
Total risk exposure amount	24,771
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).

C - 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 – subject to a phase-in;
- progressive deduction of deferred tax assets dependent on future profits linked to unused deficits – subject to a phase-in;
- intangible assets and consolidated goodwill.

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.

The following phase-ins are applied at the end of December 2016:

- 60% of minority interests are deducted from regulatory capital at the end of December 2016 against 40% at the end of December 2015.
- 40% of deferred tax assets dependent on future profits linked to unused deficits are deducted from regulatory capital at the end of December against 10% at the end of December 2015.

It should be noted that RCI Banque's Common Equity Tier 1 capital represent respectively 99.4% and 99.8% of total prudential own funds in 2015 and 2016.

Common Equity Tier 1 capital increased by €560m compared with 31 December 2015 to €3,907m, RCI Banque having included the 2016 profits without distributing a dividend to its shareholder.

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 held no such instruments on 31 December 2016.

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 at the end of 2016.

Main characteristics of equity instruments

Features	relevant information
Issuer	DIAC SA
Unique identifier	FR0000047821
Governing law(s) of the instrument	French
Eligible at solo/(sub-)consolidated or combined	
Instrument type	Tier 2
Amount recognised in regulatory capital	7 M€
Nominal amount of instrument	1000 FRF or 152.45€
Accounting classification	Subordinated debt
Original date of issuance	01/04/85
Perpeptual or dated	Perpeptual
Issuer call subjet 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 nor incentive to redeem
Convertible or non-convertible	non-convertible
Write-down features	None
Position in subordination hierachy 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 the 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.

The difference added to Tier 2 equity was €8.7m in 2015; there was none at the end of 2016.

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

Information on prudential capital

In millions of euros	31/12/2016	31/12/2015
Tier 1 capital	**3,900**	**3,326**
Equity under IFRS	4,060	3,495
- Share capital + Share premium accounts	*814*	*814*
- Carryforward and group income	*1,896*	*1,556*
- Other reserves	*1,336*	*1,111*
- Reserves + Minority income	*14*	*14*
Planned dividend distribution		
Prudential Adjustments	-160	-169
- Restated unrealized gains or losses (of which CFH)	*15*	*-1*
- Intangible non-current assets and goodwill	*-92*	*-97*
- Other prudential deductions	*-31*	*-11*
- Negative difference between valuation adjustments and expected losses	*-52*	*-60*
Tier 2 capital	**7**	**20**
Subordinated liabilities + Participating loan stock	*7*	*12*
Positive difference between valuation adjustments and expected losses up to 0.6% of assets risk-weighted under the internal rating method		*8*
Total prudential capital	**3,907**	**3,346**

D - CAPITAL REQUIREMENTS

Prudential requirements are determined in accordance with transitional texts and arrangements applying from 1st January 2014 on 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.

Overview of Risk-Weighted Assets

In millions of euros	RWA	Min. capital requirements
	12/2016	12/2016
Credit risk (excluding CCR)	21,104	1,688
- Of which the standardised approach	*10,283*	*823*
- Of which the foundation IRB (FIRB) approach	*86*	*7*
- Of which the advanced IRB (AIRB) approach	*10,735*	*859*
- Of which equity IRB under the simple risk-weighted approach or the IMA		
Counterparty Credit Risk (CCR)	249	20
- Of which mark to market		
- Of which original exposure		
- Of which the standardised approach	*164*	*13*
- Of which internal model method (IMM)		
- Of which risk exposure amount for contributions to the default fund of a Central counterparty		
- Of which Credit Value Adjustment (CVA)	*85*	*7*
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 Internal Models Approach (IMA)		
Large exposures		
Operational risk	2,945	236
- Of which basic indicator approach		
- Of which standardised approach	*2,945*	*236*
- Of which advanced measurement approach		
Amounts below the thresholds for deduction (subject to 250% risk weight)	473	38
Floor adjustment		
Total	**24,771**	**1,982**

E - 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 "Financing and Group Treasury" Divisions with the endorsement of Senior Management under the supervision and control of RCI Banque's administrative Committee.

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 2 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 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.

F- 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 is 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% par le 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 8.63% at 31 December 2016.

Summary reconciliation of accounting assets and leverage ratio exposures

In millions of euros	2016
Total assets as per published financial statements	**43,320**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	35
Adjustments for derivative financial instruments	164
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,878
Other adjustments	-197
Leverage ratio total exposure measure	**45,200**

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

Leverage ratio - common disclosure

In millions of euros	2016
On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	43,073
(Asset amounts deducted in determining Tier 1 capital)	-153
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**42,920**
Derivative exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	402
Total derivatives exposures	**402**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2,138
(Adjustments for conversion to credit equivalent amounts)	-260
Other off-balance sheet exposures	**1,878**
Capital and total exposure mesure	
Tier 1 capital	3,899
Leverage ratio total exposure measure	45,200
Leverage ratio	**8.63%**

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

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

In millions of euros	2016
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	**43,073**
Trading book exposures	
Banking book exposures, of which:	43,073
- Exposures treated as sovereigns	*2,340*
- Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*73*
- Institutions	*935*
- Retail exposures	*23,966*
- Corporate	*14,342*
- Exposures in default	*254*
- Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1,163*

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 8.63% at the end of December 2016 against 8.50% at the end of December 2015. A slight rise in the ratio, due to growth in Tier 1 capital higher than that of exposures.

G - 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 the group has set for itself, 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

Distribution of gross credit exposures (standard ans internal approaches)

In millions of euros	Corporates	Corporates - SME	Retail	Retail - SME	Other exposure categories	Total
Average credit exposures	**8,596**	**4,949**	**20,852**	**3,091**	**4,613**	**42,101**

In millions of euros	Corporates	Corporates - SME	Retail	Retail - SME	Other exposure categories	Total
France	5,459	789	5,029	1,283	2,522	15,082
Germany	771	927	4,124	446	421	6,689
Spain	625	659	2,074	243	166	3,767
Italy	524	932	2,738	355	292	4,841
United Kingdom	696	129	3,430	233	660	5,148
South Korea	47	19	1,336	83	74	1,559
Other countries	1,337	2,550	3,704	755	872	9,218
Credit exposure balance	**9,459**	**6,005**	**22,435**	**3,398**	**5,007**	**46,304**
Residual maturity less than 3 months	3,859	1,605	1,257	471	2,751	9,943
From 3 months to 1 year	4,094	3,410	2,557	827	718	11,606
From 1 to 5 years	1,186	894	17,364	1,951	1,072	22,467
More than 5 years	320	96	1,257	149	467	2,289

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 presentation and the measurement principles are described in part E of the notes to the consolidated financial statements.

- Sound: No payment incident. If the status changes, a return to 'Sound' status can only occur when all arrears have been cleared.
- Incident: Payment incident less than three months for the Customers business, according to internal expert appraisal, or a statistical basis for the Wholesale business.
- Doubtful: the payment has been outstanding for over three months for the Customers business, according to the classification 'pre-alert' and 'alert' with regard to the Wholesale business.

Gross defaulted credit exposures and value adjustments

In millions of euros	Corporates	Corporates - SME	Retail	Retail - SME	Total
France	7	17	168	32	224
Germany		2	17	3	22
Spain	2	13	17	5	37
Italy	8	8	39	10	65
United Kingdom		7	23	1	31
South Korea			26	4	30
Other countries	12	116	67	14	209
Total exposures to payments in arrears or in default	**29**	**163**	**357**	**69**	**618**

In millions of euros	Corporates	Corporates - SME	Retail	Retail - SME	Total
12/2015					
Balance of valuation adjustments on the balance sheet	81	63	334	73	551
Balance of collective provisions on the balance sheet	37	16	36	20	109
Total balance of collective provisions and valuation adjustments	118	79	370	93	660
12/2016					
Balance of valuation adjustments on the balance sheet	59	70	331	50	510
Balance of collective provisions on the balance sheet	55	26	34	27	142
Total balance of collective provisions and valuation adjustments	114	96	365	77	652

Defaulted exposures and value adjustments on “other categories of exposure” are insignificant.

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	**465**	**196**
Increases due to amounts set aside for estimated loan losses during the period	179	101
Decreases due to amounts reversed for estimated loan losses during the period	-36	-68
Decreases due to amounts taken against accumulated credit risk adjustments	-176	
Transfers between credit risk adjustments		
Impact of exchange rate differences	-21	13
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments		
Closing balance	**411**	**242**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	18	
Specific credit risk adjustments directly recorded to the statement of profit or loss	140	

B - CREDIT RISK MANAGEMENT PROCESS

For both the Customers and the Wholesale businesses, the credit risk prevention policy aims to ensure that the cost of risk budgeted for each country is met, for each of its brands and each of its main markets.

RCI Banque uses advanced scoring systems, and external databases whenever the information is available, to assess the capacity of individual and business customers to meet their commitments. An internal rating system is also used to assess loans to dealerships. RCI Banque constantly adjusts its acceptance policy to factor in conditions in the economic environment.

CUSTOMER RISK MANAGEMENT

The acceptance policy is adjusted and the tools (scores and other rules) are regularly optimized to that end. Collection of incident-flagged or defaulted receivables is also adjusted in terms of means or strategy, according to customer typology and the difficulties encountered.

Contractual termination can thus be expedited when faced with the risk that the debt becomes irrecoverable in the very short term. At Corporate level, Operations and Credit Risk Management department manages the cost of risk of the subsidiaries and coordinates action plans aimed a achieving the set targets. Granting conditions in particular are subject to strict central rules, and the management of financing plans and their recovery is very closely monitored.

The treatment of restructured debt is compliant with the Basel Committee guidelines and the recommendations of the European Central Bank. This treatment is laid down in a framework procedure and adapted in local management/recovery procedures.

DEALER RISK MANAGEMENT

At the level of each subsidiary, the dealers are monitored daily with short-term indicators that, combined with long-term indicators, identify in advance any deal presenting a partial or total risk of non-collection.

At Corporate level, the Wholesale Funding department draws up the corpus of risk control procedures. Customers identified as risky are classified as 'incident', 'incident pre-alert' or 'doubtful alert'. High-risk customers are reviewed by risk committees in the subsidiaries. The latter's members include the local manufacturers' managers and RCI Banque managers dealing with the network, in order to decide on what action plans and urgent interim measures are needed to control the risk.

COUNTERPARTY RISK MANAGEMENT

RCI Banque is exposed to non-commercial credit risk (or counterparty risk), which arises in the management of its disbursements and its investments of cash surpluses, as well as the management of its foreign exchange risk or interest rate hedges, in the event that the counterparty were to default on its commitments in such types of financial transactions.

Counterparty risk is managed using a system of limits set by RCI Banque then approved by its shareholder for the purpose of consolidating the Renault Groupe counterparty risk. Daily monitoring and a summary for management ensure proper control of this risk.

Counterparty risk mitigation techniques are used for market transactions to protect the company in part or in full against the risks of insolvency of counterparties.

- RCI Banque treats its interest rate and forex derivatives used as asset and liability hedges under an ISDA or FBF agreement and thereby has a legally enforceable right in case of default or a credit event (see Note 20 to the consolidated financial statements: Netting agreements and other similar commitments). In 2012 the EMIR (European Market Infrastructure Regulation) regulation published a series of measures designed to improve the stability and transparency of the derivatives market. The main measure concerns the use of clearing houses for transactions on derivatives and the collateralization of the said transactions. RCI Banque books standardized interest-rate swap transactions made in clearing houses. These transactions consist in deposits of an initial margin and regular exchanges of collateral in respect of variation margins.
- Investments in securities are not hedged, in order to reduce credit exposure.

RCI Banque has no particular mechanism for managing correlation risk.

If its credit rating is downgraded, RCI Banque may be led to fund additional reserves as part of its securitization transactions. At 31/12/2016, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €78 million.

2016 RESULTS OF THE CUSTOMERS BUSINESS

The book cost of risk, which reflects changes in provisions for a given period, is a good indicator of risk management at the disposal of the Risk Management function. The method known as "economic provisioning", used in the main RCI countries for the Customers business, measures whether the level of risk is improving or worsening.

Provisions for credit risks are determined:

- firstly, with regard to non-doubtful 'incident' debt, by using the rate at which this non-doubtful debt becomes doubtful, and the average statistical loss rate when it becomes doubtful (LGD age 0);
- secondly, with regard to outstanding doubtful debt, by the average statistical loss rate of the age of the doubtful debt (LGD age n).

As a result, any worsening of the quality of debt and of the performance of debt collection results in a rise in provision expenses.

The 2016 cost of Customer risk represents 0.33% of average earning assets, down compared with the 0.39% recorded in 2015. After the crisis, since 2009 the cost of risk has not exceeded 0.60%, which demonstrates that the risk chain is well under control, both upstream at acceptance level and downstream at collection level.

Outstanding doubtful debts continued to decrease in 2016.

They represent 1.6% of total debt at the end of 2016 against 1.9% at the end of 2015. This reduction is due firstly to debt assignments and secondly to better control of acceptance and improvements in debt collection processes in most of the subsidiaries.

The coverage ratio of outstanding doubtful debts was 73% at the end of 2016, slightly down on 2015 (75%), which reflects both the effects of debt assignments on the rejuvenation of the doubtful portfolio and higher recovery rates.

Restructured claims are limited to €59m, a low level that reflects the low risk arising in customer financing.

2016 RESULTS OF THE WHOLESALE BUSINESS

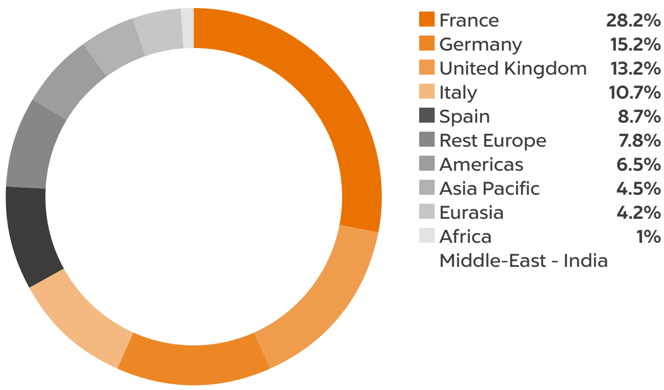
RCI Banque maintains its policy of support for manufacturers and their distribution networks by providing suitable financing solutions. In that respect, management of inventories in connection with manufacturers and their appropriateness for market situations remained a priority throughout 2016.

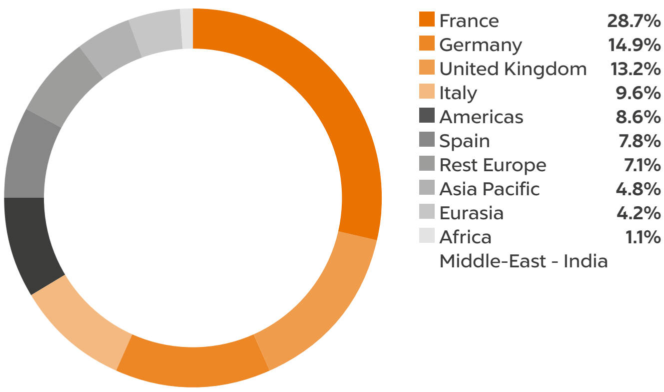
The cost of risk of the wholesale financing business represents 0.21% of average productive outstandings, namely €17.2m. This is higher than in 2015 (+0.08 basis points) but remains at a very low level.

Restructured claims ("forbearance") are limited to €10.4m, a low level that reflects the low risk arising in wholesale financing.

C - DIVERSIFICATION OF CREDIT RISK EXPOSURE

RCI's customer outstandings are spread over 24 countries (excluding India and Ukraine), and are highly represented in Europe. The percentage of G7 countries (IRB approved or pending approval for Brazil) has fallen very slightly: 86.2% of the RCI total in 2016 against 86.7% in 2015. The United Kingdom, where the percentage of total outstandings is unchanged at 13.2%, has been monitored very closely in a context of Brexit. In Brazil, where the car market has shrunk and which is plagued by political and economic instability, the acceptance policy has been adjusted to reduce our risks, whereas Brazil's percentage of group customer outstandings fell from 7.7% in 2015 to 5.7% in 2016. The geographical breakdown of debt has enabled RCI to offset the effects of differences in the economic cycles of its various entities, the Brazilian crisis having been neutralized by the good performance of Europe.





With regard to the product breakdown of the customers business, credit represents a little over 2/3rds of G5 current outstandings (France, Germany, Italy, Spain, United Kingdom), leasing roughly 18% and long-term rentals roughly 15%. We note some country-specific features: in France for instance, these three products are more or less equally represented.

With regard to the breakdown by type of customer, individuals make up the largest share with 70% of current outstandings, against 30% for Corporate customers, France again being a special case with a 47% share of Corporate customers.

D - 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 standard method.

Risk-weighted amounts and capital requirements for each class of exposure and approach

In millions of euros	12/2016		12/2015	
	Risk-weighted assets	Own funds requirements	Risk-weighted assets	Own funds requirements
Credit risk	**21,741**	**1,740**	**19,061**	**1,525**
1) Internal rating based (IRB) method	**10,821**	**866**	**10,435**	**835**
-Corporates	2,507	201	2,965	237
-Corporates - SME	936	75	968	78
-Retail	6,428	514	5,654	452
-Retail - SME	950	76	848	68
2) Standardized method	**10,920**	**873**	**8,626**	**690**
- Central governments and central banks	479	38	219	18
- Institutions	703	56	581	46
- Corporates	2,175	174	1,868	150
- Corporates - SME	2,676	214	2,028	162
- Retail	3,161	253	2,610	209
- Retail - SME	831	66	666	53
- Equity	8	1	8	1
- Other non-credit obligation assets	887	71	646	52

E - ADVANCED METHOD

In its letter of 28 January 2008, the French Prudential Supervision and Resolution Authority authorized RCI Banque to use its advanced system of internal ratings to measure its credit risks as from 1st January2008.

RCI Banque has adopted the most advanced methods proposed by the reform known as Basel II/III to measure and monitor its credit risks, so all the parameters are estimated internally. The values thus measured are applied to calculate exposure risks on the Retail, Corporate and Dealer customer. Six big countries (Germany, Spain, France, Italy, South Korea and United Kingdom) are treated using the advanced approach based on internal ratings. Further to official approval of the first 4 countries at the beginning of 2008, this process was deployed in the United Kingdom in 2010 then in South Korea in 2011 for the Consumer business and for factoring in France.

More recently, work has been done primarily on the planned deployment of internal rating systems in Brazil (Retail, Corporate and Dealer customers).

a) Organization

The tools and processes used to calculate credit-risk-weighted assets, and the publication of statements that optimize credit risk control, are the responsibility of the Customers and Operations division.

Consolidation of the debt ratio, production of regulation statements and measurement of internal capital are the responsibility of the Accounting and Performance Control division.

b) Information system

The centralized database of risks (CDoR) stores credit risk data coming from acceptance, management and accounting applications, on the three markets and for the most significant countries.

The CDoR provides input data for decision-makers to assess risks, and the Risk AuthoritY software package (RAY) calculates the solvency ratio. RAY is also fed by data from the KTP Cristal refinancing operations management system and the Sycomore Business Object Finance consolidation tool. Since June 2010, RAY has also published regulation statements intended for the supervisor.

The data collected and calculated in these information systems is controlled technically and functionally throughout the production line, from gathering information from upstream systems to the end results. These quality controls are monitored monthly at the level of the chain according to the criticality of the data.

Further to an analysis of these controls, action plans have been put in place.

The information system in place provides the data dimensions needed to analyze the ratio. For instance, monthly statements show the components of weighted assets in respect of the advanced method (probability of default, loss given default, exposures, expected losses, etc.) according to several criteria:

- sound outstandings and defaulted outstandings broken down by type of financing;
- a separation between balance sheet and off-balance sheet exposures;
- a breakdown by country;
- a breakdown by customer category (individuals, self-employed persons, small companies, medium-sized and large companies according to turnover, very big corporations and the dealership network);
- a distribution according to customer characteristics (age of the customer or company, line of business, etc.), according to the characteristics of the financing plan (initial term, amount paid upfront, etc.) and according to the characteristics of the financed item (new or used vehicle, models, etc.).

These data dimensions are also used for the monthly analysis of the management cost of risk measured using actually observed default entries and loss rates.

c) Segmentation of exposures by the advanced method

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

The average weighting rates (weighted risks/exposures) total 36% for the Retail portfolio and 34% for the overall Corporate portfolio (including 19% for the Network).

The conversion factors applied to unit off-balance sheet exposures are regulation rates (exclusively 100% at 31/12/2016). The calculated average rates come to 100% for customer financing commitments (representing €981m), and 100% for wholesale approvals (representing €131m).

Credit exposures by the method based on internal models

In millions of euros	AIRB method	Foundation method
Corporates	10,140	107
* of which Wholesale	8,063	
Retail	20,293	
* of which SME	2,251	
Total exposures based on internal systems	**30,433**	**107**

Breakdown of exposures by category and indicator

Exposure Category	Internal grading	PD%	Gross exposure	CCF%	EAD	LGD%	RW%	Expected Loss	RWA
Corporates	1	0.4%	1,510	100%	1,510	23.2%	26.4%	2	398
	2	0.6%	1,798	100%	1,756	16.3%	19.5%	2	334
	3	1.0%	2,775	100%	2,729	17.4%	27.5%	6	739
	4	2.1%	2,569	100%	2,113	13.6%	42.2%	7	699
	5	4.9%	563	100%	563	21.9%	64.1%	6	361
	6	6.1%	727	100%	727	23.1%	75.4%	10	548
	7	21.8%	216	100%	216	25.2%	116.7%	12	252
	8	13.3%	22	100%	22	41.3%	209.1%	1	46
	9	50.8%	13	100%	13	31.6%	138.5%	1	18
	Default	100 %	54	100%	54	70.9%	88.9%	35	48
TOTAL		**2.7%**	**10,247**	**100%**	**9,703**	**18.3%**	**37.6%**	**82**	**3,443**

Exposure Category	Internal grading	PD%	Gross exposure	CCF%	EAD	LGD%	RW%	Expected Loss	RWA
Retail	1	0.2%	3,905	100%	3,905	43.2%	17.0%	4	663
	2	0.5%	4,959	100%	4,959	43.3%	27.3%	10	1,356
	3	0.9%	5,363	100%	5,363	38.0%	34.5%	19	1,849
	4	1.4%	1,991	100%	1,991	43.6%	47.3%	13	942
	5	2.3%	1,611	100%	1,611	42.4%	54.5%	16	877
	6	3.9%	973	100%	973	42.5%	62.7%	17	610
	7	7.9%	610	100%	610	43.2%	71.0%	21	433
	8	12.3%	328	100%	328	39.6%	77.5%	17	254
	9	21.1%	116	100%	116	38.9%	93.5%	10	109
	10	42.1%	114	100%	114	39.2%	107.7%	20	123
	Default	100%	323	100%	323	85.1%	49.6%	268	160
TOTAL		**3.3%**	**20,293**	**100%**	**20,293**	**42.4%**	**36.4%**	**415**	**7,378**

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

The internal rating methodology developed in 2004 for 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.

Segmentation of exposures by the advanced method and average PD by country

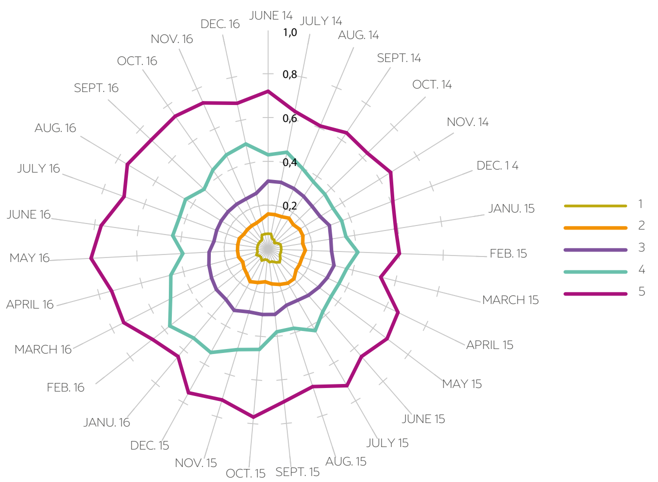
Category of exposure	IRBA countries	Population covered by the model	Type of model (statistical/combined)	Internal/ External model	Average sound portfolio PD at 31/12/2016
Retail customers	Germany	Consumers	Statistical	Inside	1.18%
	Spain				1.24%
	France				1.64%
	Italy				1.30%
	United Kingdom				1.73%
	South Korea				1.16%
Small and medium-sized companies	Germany	Businesses	Statistical	Inside	1.79%
	Spain				4.11%
	France				3.46%
	Italy				4.14%
Big corporations	France	Very big corporations	Combined	Inside	1.74%
	France	Factoring	Combined	Inside	1.26%
	France	Primary network	Statistical + expert appraisal	Inside	1.75%
	Germany	Primary network	Statistical + expert appraisal	Inside	1.54%
	Germany	Secondary network	Statistical + expert appraisal	Inside	1.81%
	Italy	Primary network	Statistical + expert appraisal	Inside	1.76%
	Spain	Primary network	Statistical + expert appraisal	Inside	5.39%
	United Kingdom	Primary network	Statistical + expert appraisal	Inside	0.98%

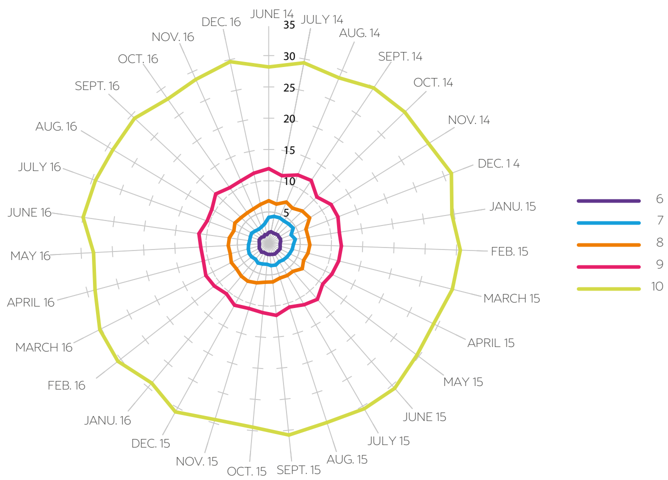
iii) Testing PD models

In many countries, backtests of PD models have underscored that the models can effectively prioritize risks but that they also overestimate PDs per class.

This is illustrated in the following graphs.

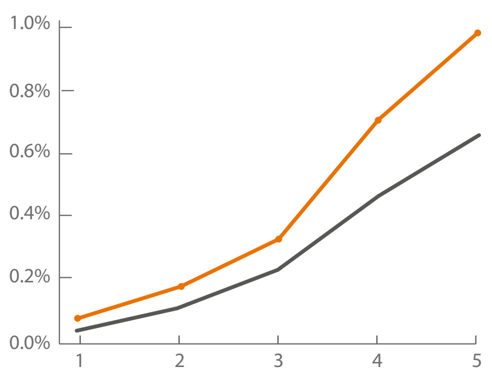
History of default rates per class



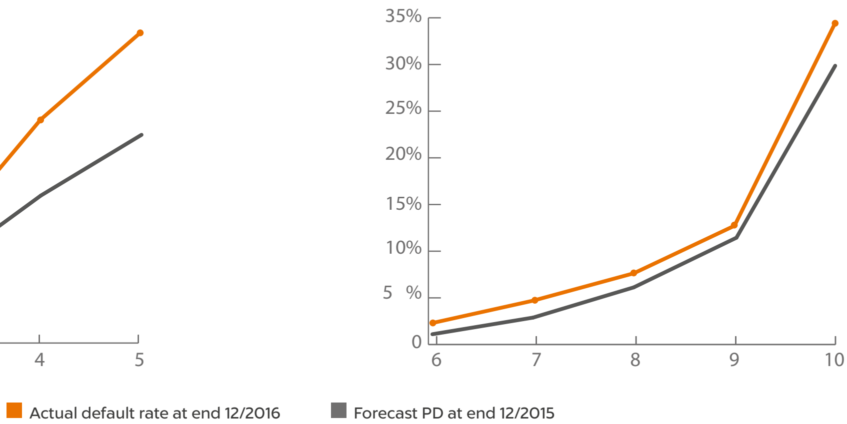


The Consumer PD model for Germany end December 2016

Class 1 to 5



Class 6 to 10



When external ratings are available (i.e. for the very big French corporations), a migration matrix between internal and external ratings is calculated for back-testing exercises. An annual match rate is calculated according to the following two scenarios: without a rating difference and with a rating difference in absolute value (nearly 99%).

e) 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 Network, 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 quantification of these losses per segment results from a statistical model the main vectors of which are a generational analysis of recoveries, the speed or collection

and inclusion of trends. The advice of experts also plays a part in confirming the proposed estimates in order to better comprehend the cyclical economic effects.

Segmentation of exposures by the advanced method and average LGD by country

Exposure	Pays IRBA	Population group covered by the model	Population group Segmentation	Type of model (statistical/ expert/ combined/ other)	Kind of model (internal/ external)	Available historical depth	Calculate parameters	Average sound portfolio PD at 12/2016
Retail	France	Individuals + Companies	Credit	Statistical	Internal	Since January 1997		43.9%
			Leasing					41.3%
	Germany		NV Credit			Since April 1999		24.4%
			Crédit VOLeasing					38.9%
	Spain		UV Credit			Since November 1994	LGD, LGD in-default, ELBE	42.5%
			Leasing			Since May 1998		57.8%
			Leasing			Since January 1996		43.1%
	Italy		Time ≤48 months			Since January 2008		50.6%
			Time >48 months			Since January 2008		50.6%
	United Kingdom		Single segment			Since August 1998		46.6%
	South Korea		Single segment			Since March 2006		54.7%
Corporate	All subsidiaries	Dealers	R1 VN	Case by case	Internal	Since January 2009		9.7%
			R1 autres					18.3%
			≤ R2					16.8%

The LGDs are updated half-yearly to factor in the most recent information when estimating the parameter.

The average loss given defaults on the sound portfolio is 46% for Retail Customers and 37% for the Corporate segment, the latter breaking down as 43% for non-dealer companies and 14% for the Networks.

Customer expected loss (EL) was down 3.3% in 2016, the fall in default EL partially offset by a rise in sound EL:

- Default EL (down of 7.7%): the fall is mainly attributable to a reduction in the defaulted portfolio due to lower defaulting rates further to general economic improvements, a more efficient out-of-court debt collection process (unpaid less than 90 days), and finally assignments of doubtful portfolios. The defaulted LGD has also improved overall and has contributed to this reduction in the defaulted EL.
- Sound EL (increase of 3.5%): the rise is mainly attributable to the sharp rise in sound outstandings (+13%) in a context of growth in business for the Alliance's makes, combined with a higher penetration of RCI and a higher average financing amount. In parallel, the non-defaulted PD has improved by 19 bps and the non-defaulted LGD by 73 bps, thereby limiting the rise in sound EL.

Valuation adjustments - Advanced IRB method

In millions of euros	Corporates	Corporates - SME	Retail	Retail - SME	Total
Value at 12/2015	36	24	349	62	471
Value at 12/2016	24	36	329	56	445

f) Operational use of internal ratings

i) Customers

• *Granting policy*

Customers applying for financing plans are rated as a matter of course; this situation, which pre-dated the "Basel" ratings on certain market segments, consumers in particular, has been systematized with the introduction of Basel III. This sets the initial direction of the application in the decision-making process, the study process concentrating on "intermediary" risks. Beyond the operational process, the acceptance policy is regularly adjusted according to default rates and a break-even analysis by level of probability of default and loss given default.

• *Debt collection*

The statistical models used to calculate weighted risks and expected loss enable the probability of default determined at the time of granting to be updated by factoring in the customer's payment record. This updating, which provides a clear vision of expected loss of the portfolio as part of the "budget process" is also a tool increasingly used to forward plan the activity of out-of-court and disputed debt collection platforms. On the basis of the same customer information, "recovery scores" have been deployed in Spain and South Korea to make the process more efficient.

ii) Dealers

In the Dealers segment, all counterparties are rated as a matter of course. All the rating components, or the rating itself, are included in the key operational processes of acceptance, management and monitoring of the activity and the risks.

Provisioning for the Wholesale financing activity is based on a categorization of the counterparties, individually, and on the basis of an examination of objective impairment indicators. The internal rating is the basis for this differentiation.

g) 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 annually 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 unit of the Risk Control Unit to ensure their fitness for purpose and their regulatory compliance.

F - STANDARD METHOD

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

With regard to the Corporate portfolio, the RCI Banque group applies the regulation weightings for non-rated exposures. This treatment is justified by the often small size of customer companies in countries outside France, Germany, Italy and Spain, which cannot benefit from an external rating given by an approved credit rating agency.

For hedge transactions, the values of counterparty credit risk exposures on interest-rate or forex derivatives are determined by the market price method by adding to the current replacement cost the potential future credit exposure based on the remaining term.

In order to calculate the capital requirement in respect of the credit risk with the standard method, RCI Banque uses the Moody's credit rating agency to assess its exposures vis-à-vis sovereigns and banks, and complies with the regulatory mapping with these external assessments.

The companies' ratings are retrieved by the Financial Risk Control unit and incorporated every month into the KTP Cristal refinancing transactions management system then automatically injected into the Risk AuthoritY (RAY) software package. Country ratings are entered manually in the RAY software package.

Credit exposures under the standardized method in millions of euros

Moody's Rating	Before CRM	After CRM
Long Term	**15,419**	**15,250**
Aaa	2,537	2,537
Less than Aaa	1,045	1,045
Unrated exposure	11,837	11,668
Short term	**82**	**82**
P-1	52	52
P-2 / P-3		
NP	30	30
Total credit exposures under the standardized method	**15,501**	**15,332**
* of which Corporates	5,127	4,959
* of which Retail	5,452	5,451
* of which other exposure categories	4,922	4,922

G - CREDIT RISK MITIGATION TECHNIQUES

The RCI Banque group does not use netting agreements to reduce the credit risk.

Mitigation techniques are allowed only in the form of cash and used solely according to the two agreements below in order to hedge the credit risk specific to the manufacturers' distribution network.

For exposures treated by the internal rating method, the capital requirements in respect of credit risk include financial collateral (in the form of a cash pledge agreement) amounting to €550m granted by manufacturer Renault and protecting RCI Banque against the risk of the Renault Retail Group Dealers defaulting. This protection is spread evenly over each exposure in the relevant scope by RAY's data processing. At the end of December 2016 and after application of the discount relating to the asymmetry of currencies, the impact on the value of €621m of exposures (corporate category only) total €544m.

With the standard method, capital requirements in respect of credit risk include financial collateral (in the form of Letras de Cambio) protecting Brazilian subsidiary CFI RCI Brasil against the risk of its network of dealerships totaled €169m at the end of December 2016, reducing exposures to €22m for the corporate category, to €186m for SMEs, and to under €1m for retail customer companies. This protection is allocated individually to each exposure concerned.

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 standard method defined in article 384 of regulation (EU) 575/2013.

Credit Valuation adjustment risk

In millions of euros - Credit Valuation adjustment risk	
Gross exposure - OTC derivatives including add-on	299
Exposure at risk (standardized method)	85
Own funds requirements	**7**

V - SECURITIZATION

RCI Banque uses securitization as an instrument of diversification of its refinancing. RCI Banque acts exclusively with a view to refinancing its activities and does not invest in special purpose vehicles whose underlying obligations are originated by non-group companies.

In respect of its refinancing activities, the group securitizes some of its pools of receivables granted to individual customers or companies. Securities created for such transactions allow the group either to refinance itself or to increase its pool of assets that can be used as collateral with the European Central Bank.

In respect of prudential regulations, no transfer of risk deemed significant has been observed further to these transactions. They have no impact on the group's regulatory capital. Vehicles bearing assigned receivables are consolidated by the group. The group remains exposed to most of the risks and benefits attached to such receivables; furthermore, the latter cannot in parallel be the subject of a guarantee given or firm assignment as part of another transaction.

All the group's securitization transactions meet the economic capital requirement of not less than 5% mentioned in article 405 of European directive (EU) 575/2013.

The sales financing receivables retained in the balance sheet totaled €9,768m on 31 December 2016 (€8,835m on 31 December 2015), namely:

- for securitizations placed on the market: €1,582m
- for self-subscribed securitizations: €5,282m
- for private securitizations: €2,904m

The stock of securitized assets is itemized in Note 12 to the consolidated financial statements. At 31 December 2016, funding secured through private securitizations totaled €1,927m, and funding secured through public securitizations placed on the markets totaled €1,339m.

VI – MARKET RISK

A - THE MARKET RISK MANAGEMENT PRINCIPLE

The goals and strategies pursued by RCI Banque in connection with the foreign exchange risk are described in the part entitled "Consolidated financial statements – financial risks" – Appendix 2.

In the absence of a trading book, all the market risk arises from the group's foreign exchange position. This primarily stems from structural foreign exchange exposure on the equity interests of subsidiaries outside the Eurozone. RCI Banque is exposed to the risk of variation in foreign exchange parities that can adversely affect its financial position.

The specific market risks control process is part of the RCI Banque group's overall internal control process.

B - GOVERNANCE AND ORGANIZATION

For the RCI Banque group's entire scope of consolidation, the management of market risk (overall interest rate risk, liquidity and foreign exchange risk) and due observance of the related limits are placed under the supervision of RCI Banque's Financing and Group Treasury division, which manages them directly for subsidiaries refinanced centrally, or indirectly through a reporting process and monthly committee meetings for subsidiaries refinanced locally. The system of limits that controls the process is approved by the Board of Directors and periodically updated.

A list of authorized products, approved by RCI Banque's Financial Committee, specifies the foreign exchange instruments and rates and the nature of currencies liable to be used for market risk management purposes.

C - MEASUREMENT, MONITORING AND PRUDENTIAL TREATMENT

The Financial Risk Control unit, attached to the Permanent Control department (Company Secretary and Risk Control Division), issues a daily report and monitors the group's exposure to financial risks.

Since May 2009, RCI Banque has been authorized by the French Prudential Supervision and Resolution Authority to exclude long-term and structural assets from its foreign exchange position. Accordingly, as the foreign exchange position is under the 2% threshold for own funds as defined in article 351 of regulation (EU) 575/2013, RCI Banque does not calculate capital requirements in respect of foreign exchange risk.

D - EXPOSURE

The sales financing subsidiaries are obliged to refinance themselves in their own currency and are thus not exposed to foreign exchange risk. RCI Banque's residual exposure on others assets and liability items (e.g. ICNE on loans in foreign currencies) is maintained at a marginal level of no significance for RCI Banque. At 31 December 2016, the RCI Banque group's consolidated foreign exchange position totaled €13.4 million.

Finally, the own funds and annual earnings of RCI Banque subsidiaries outside the Eurozone are themselves subject to foreign exchange fluctuations and are not specifically hedged.

VII – INTEREST-RATE RISK FOR PORTFOLIO POSITIONS

A - ORGANIZATION OF INTEREST RATE RISK MANAGEMENT

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin. The objective of the RCI Banque group is to mitigate this risk as far as possible in order to protect its mark-up. The specific interest rate risks control process is part of the RCI Banque group's overall internal control process. The goals and strategies pursued by RCI Banque in connection with the interest rate risk are described in the part entitled "Consolidated financial statements – financial risks". – Appendix 2.

B - GOVERNANCE AND ORGANIZATION

The Financing and Group Treasury division refinances group entities that are eligible for centralized refinancing. It borrows the funds needed to ensure the continuity of business (bond and negotiable debt instrument issues, securitizations, interbank loans, etc.), balances assets and liabilities and adjusts the cash position of group companies, while managing and minimizing exposure to portfolio interest rate risk by using appropriate hedging instruments (swaptions, cross-currency swaps and spot and forward exchange transactions). The principles of financial policy extend to all RCI Banque group consolidated subsidiaries and are adapted in locally refinanced subsidiaries. The latter are subject to the same financial risk monitoring requirements as the group's other subsidiaries: compliance with interest rate and forex risk limits, monitoring liquidity risk, limiting counterparty risk and specific monitoring by a dedicated finance committee and ad hoc reporting.

Transactions in financial instruments made by the RCI Banque holding company essentially relate to its function as the group's central refinancing service. In order to take account of the difficulty of precisely adjusting the structure of borrowings with that of loans, limited flexibility is accepted in interest rate risk hedging by each subsidiary. This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the finance Committee, an individual adaptation of the overall limit set by RCI Banque's Board of Directors.

A group management system performs a daily calculation of each entity's balance sheet sensitivity to variations in yield curve.

The Financial Risks Control service, attached to the Permanent Control department (Company Secretary and Risk Control division), controls group exposure as measured by this system and observance of the sensitivity limits assigned to each entity.

C - MEASUREMENT AND MONITORING

Interest-rate risk is monitored on a daily basis: a sensitivity calculation per currency, per management entity and per asset portfolio verifies that each entity complies with the individual limits assigned to it. This sensitivity to interest rate risks is measured using a methodology common to the entire RCI Banque group. The process keeps overall group exposure and the exposure of each entity at a low level.

The sensitivity thus defined consists in measuring at a given point in time the impact of a variation in interest rates on the market value of an entity's balance sheet flows. The market value is determined by the discounted future cash flows at the market price at point t.

Different yield curve variation scenarios are considered, including different shocks like the standard shock of 200 bps defined by regulatory guidelines and a rotation scenario. The scenario preferred by the RCI Banque group is a calculation of sensitivity at a uniform increase of 100 bps of the interest rates on all maturities. The calculation is based on average monthly asset and liability gaps.

Terms of maturity are determined by taking into account the contractual characteristics of transactions and the results of the modeling of historical customer behavior (early repayments, etc.), supplemented by assumptions on certain aggregates (own funds, etc.).

Sensitivity is calculated daily per currency and per management entity (central refinancing service, French and foreign commercial subsidiaries) and enables overall management of the Interest-rate risk within the RCI Banque group's scope of consolidation. It is monitored by the Financial Risks service, attached to the Permanent Control department (Company Secretary and Risk Control division). The situation of each entity with regard to its limit is confirmed every day, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate. The results of the controls are reported monthly to the finance Committee, which verifies due observance of the limits by all group entities and the procedures in force.

D – EXPOSURE

In 2016, RCI Banque's overall sensitivity to interest-rate risk remained below the limit set by the group (€40m up to 5 December, €50m since then). At 31 December 2016, a 100-point rise in rates would have the following impact:

- +€12.3m in EUR,
- -€0.1m in ARS,
- -€0.1m in BRL,
- +€3.6m in CHF,
- +€0.5m in GBP,
- -€0.1m in KRW,
- +€1.4m in MAD,
- +€0.3m in PLN,

The absolute sensitivity values in each currency total €18.6 million.

VIII - LIQUIDITY RISK

A - THE LIQUIDITY RISK MANAGEMENT PRINCIPLE

Liquidity risk is defined as the risk of not being able to meet one's cash outflows or collateral requirements at a reasonable cost when they fall due. As liquidity is a rare resource, RCI Banque has a duty to have sufficient funds at all times to guarantee the continuity of its activity and development.

RCI Banque has strengthened its liquidity risk management process in accordance with EBA recommendations. The Board of Directors and its Risks Committee have approved the ILAAP ("Internal Liquidity Adequacy Assessment Process") and its procedural framework. These documents define the principles, standards and governance for liquidity risk management and the indicators and limits monitored within the RCI Banque group.

The group aims to optimize its cost of refinancing while controlling its liquidity risk and complying with regulatory requirements. RCI Banque also aims to have multiple sources of liquidity. As such, the financing plan is constructed with a view to diversifying liabilities, per product, currency and maturity.

B - GOVERNANCE AND ORGANIZATION

Liquidity risk management principles and standards are laid down by the group's governing bodies:

- The Board of Directors sets the liquidity risk tolerance level with regard to risk appetite and regularly examines the group's liquidity position. It approves the methodology and the limits, and approves the annual bond issue ceiling.
- The financial Committee, the group's financial risks monitoring body, and controls liquidity risk according to the appetite for risk defined by the Board of Directors.
- The Finance and Group Treasury division implements liquidity management policy and fulfills the financing plan by factoring in market conditions, in accordance with internal rules and limits.
- Due observance of the limits is monitored by the Financial Risks Control unit, attached to the Permanent Control department (Company Secretary and Risk Control Division).

As the Board of Directors and the Risks Committee have approved a low level of appetite for liquidity risk, the group sets itself strict internal standards to enable RCI Banque to maintain business continuity over a given period in stress scenarios. The finance Committee is informed every month of the time frame during which the company can continue its business using its liquidity reserve in various stress scenarios. These scenarios include mass withdrawals of deposits, lost access to new funding, partial unavailability of certain items of the liquidity reserve and forecasts of new credit production. The stressed mass withdrawals of deposits scenario is very conservative and is regularly back-tested.

An established emergency plan identifies the action required in the event of stress on the liquidity position.

C - MEASUREMENT AND MONITORING

The liquidity risk management process relies on risk indicators monitored every month by the finance Committee. These indicators are based on the following elements:

Static liquidity

This indicator measures the gap between assets and liabilities on a given date without an assumed renewal of liabilities or assets. It materializes the static liquidity "gaps". The group's policy is to refinance its assets with liabilities having the same or longer maturities, thereby maintaining the positive static liquidity gaps over the entire balance sheet.

The liquidity reserve

The group constantly aims to have a liquidity reserve consistent with the appetite for liquidity risk. The liquidity reserve comprises short term financial assets, high-quality liquid assets (HQLA), financial assets, collateral eligible for European Central Bank monetary policy transactions and confirmed bank lines of credit. It is reviewed by the finance Committee every month.

Stress scenarios

The finance Committee is informed every month of the time frame during which the company can continue its business using its liquidity reserve in various stress scenarios. These scenarios include mass withdrawals of deposits, lost access to new funding, partial unavailability of certain items of the liquidity reserve and forecasts of new credit production. The stressed mass withdrawals of deposits scenario is very conservative and is regularly back-tested.

D - REGULATORY RATIOS AND CHARGES ON ASSETS

Control of the group's liquidity also aims to meet regulatory liquidity coverage ratios (LCRs) and charges on assets (encumbered and unencumbered assets).

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% or expected outflows, whichever is the lower.

RCI Banque's liquidity is managed by the Financing and Group Treasury division, which centralizes the refinancing of European group entities and supervises the balance sheet management of all entities worldwide.

THIRD QUARTER 2016

The following table presents the average value of HQLAs, cash inflows and cash outflows, based on the end-of-month values of July, August and September 2016.

In millions of euros	Total unweighted value (average)	Total weighted value (average)
High-Quality Liquid Assets (HQLA)		
Total high-quality liquid assets		**880**
Cash Outflows		
Retail deposits and deposits from small business customers	8,971	939
- Stable deposits		
- Less stable deposits	*8,971*	*939*
Unsecured wholesale funding	728	589
- Operational deposits (all counterparties) and deposits in networks of cooperative banks		
- Non-operational deposits (all counterparties)	*232*	*93*
- Unsecured debt	*496*	*496*
Secured wholesale funding		
Additional requirements	104	104
- Outflows related to derivative exposures and other collateral requirements	*31*	*31*
- Outflows related to loss of funding on debt products	*72*	*72*
- Credit and liquidity facilities		
Other contractual funding obligations	400	400
Other contingent funding obligations	1,983	99
Total Cash Outflows	**12,186**	**2,131**

In millions of euros	Total unweighted value (average)	Total weighted value (average)
Cash Inflows		
Secured lending (eg reverse repos)		
Inflows from fully performing exposures	4,544	2,411
Other cash inflows	344	344
Total Cash Inflows	**4,889**	**2,755**
Total HQLA		**880**
Total net Cash Outflows		**533**
Liquidity Coverage Ratio		**167%**

Further to exchanges between RCI Banque and the joint oversight team comprising members of the French Prudential Supervision and Resolution Authority and the European Central Bank, the regulatory liquidity scope to which the LCR applies was modified in the fourth quarter of 2016. It now includes the Banco RCI Brasil SA (Brazil) and Rombo Compania Financiera SA (Argentina) joint ventures.

During the third quarter of 2016, the bank maintained an average level of HQLAs of €882m, mainly comprising deposits with the European Central Bank and securities of European or supranational states. The average duration of these security holdings was less than one year.

Moreover, RCI Banque also invested in a fund whose assets comprise debt securities issued by European agencies, states and supranational issuers. Its average exposure to credit risk is six years, limited to nine years. The fund aims to achieve zero exposure to interest rate risk, with a maximum of two years.

During the said period, the HQLAs denominated in EUR and GBP represented respectively 63% and 19% of total HQLAs.

RCI Banque's cash inflows primarily originate from commercial and financial assets, the cash outflow for their part are predominantly explained by debt maturities and the deposits sell-out factor.

The liquidity requirement relating to transactions in derivatives is very limited. RCI Banque has not signed any Credit Support Annex (CSA) with the counterparties with which trades swaptions, cross-currency swaps and spot and forward exchange transactions, in order to control its overall exposure to interest rate and foreign exchange risk. Securitization swaps can nonetheless be the subject of bilateral margin calls. However the latter remain insignificant.

The average LCR in the third quarter of 2016 stood at 167%. The high level is accounted for by a high level of liquid assets. A large proportion of cash surpluses was left on RCI's account with Banque de France and was thus recognized as HQLA.

In millions of euros	Total unweighted value (average)	Total unweighted value (average)
High-Quality Liquid Assets (HQLA)		
Total high-quality liquid assets		**1,012**
Cash Outflows		
Retail deposits and deposits from small business customers	9,303	977
- Stable deposits		
- Less stable deposits	*9,303*	*977*
Unsecured wholesale funding	881	737
- Operational deposits (all counterparties) and deposits in networks of cooperative banks		
- Non-operational deposits (all counterparties)	*240*	*96*
- Unsecured debt	*641*	*641*
Secured wholesale funding		
Additional requirements	121	121
- Outflows related to derivative exposures and other collateral requirements	*44*	*44*
- Outflows related to loss of funding on debt products	*78*	*78*
- Credit and liquidity facilities		
Other contractual funding obligations	379	379
Other contingent funding obligations	2,119	136
Total Cash Outflows	**12,803**	**2,350**
Cash Inflows		
Secured lending (eg reverse repos)		
Inflows from fully performing exposures	4,558	2,391
Other cash inflows	334	334
Total Cash Inflows	**4,891**	**2,724**
Total HQLA		**1,012**
Total net Cash Outflows		**587**
Liquidity Coverage Ratio		**170%**

FOURTH QUARTER 2016

The following table presents the average value of HQLAs, cash inflows and cash outflows, based on the end-of-month values of October, November and December 2016.

During the fourth quarter of 2016, the bank maintained an average level of HQLAs of €1,012m, mainly comprising deposits with the European Central Bank and securities of European or supranational states. The average duration of these security holdings was less than one year.

Moreover, RCI Banque also invested in a fund whose assets comprise debt securities issued by European agencies, states and supranational issuers. Its average exposure to credit risk is six years, limited to nine years. The fund aims to achieve zero exposure to interest rate risk, with a maximum of two years.

Owing to the non-convertibility of the BRL and in accordance with article 8.2d of delegated regulation (EU) 2015/61, HQLAs in BRL are now included in the consolidated LCR but their amount is capped at net cash outflows in this currency. In the fourth quarter, the EUR exchange value of the average amount of HQLAs in BRL represents €72m, whereas the amount included in the consolidated LCR represents €52m.

During the fourth quarter, the HQLAs denominated in EUR and GBP and BRL represented respectively 70%, 18% and 5% of total HQLAs.

RCI Banque's cash inflows primarily originate from commercial and financial assets, the cash outflow for their part are predominantly explained by debt maturities and the deposits sell-out factor.

The liquidity requirement relating to transactions in derivatives is very limited. RCI Banque has not signed any Credit Support Annex (CSA) with the counterparties with which trades swaptions, cross-currency swaps and spot and forward exchange transactions, in order to control its overall exposure to interest rate and foreign exchange risk. However, in order to meet the constraints imposed by the EMIR regulation, RCI Banque has offset its swaptions and single forward rate agreements (FRAs) in EUR and GBP with LCH Swapclear since November 2016. At the end of December, the liquidity requirements relating to the portfolio offset and calculated by the "Historical Look Back Approach" method recommended by the EBA remain modest. furthermore, securitization swaps can nonetheless be the subject of bilateral margin calls. The latter represent insignificant amounts.

The average LCR in the fourth quarter of 2016 stood at 170%. The high level is accounted for by a high level of liquid assets. A large proportion of cash surpluses was left on RCI's account with Banque de France and was thus recognized as HQLA.

(Un)encumbered assets

An asset is deemed "encumbered" if it serves as a guarantee or is used to securitize, collateralize or improve a transaction from which it cannot be separated. In contrast, an "unencumbered" asset is not subject to any legal, regulatory or contractual restrictions limiting the institution's ability to do what it wants with it.

By way of example, the following types of contract match the definition of encumbered assets:

- assets sold to securitization vehicles when the said assets have not been derecognized by the company. The assets underlying self-subscribed securitizations are not considered encumbered, unless the securities are used as security or to guarantee another transaction in any manner (financing in its dealings with the central bank for instance),
- the collateral designed to reduce the counterparty risk on derivatives registered in a clearing house or bilaterally negotiated,
- secured financing.

At 31 December 2016, assets encumbered in the form of disposals to a securitization vehicle or guarantee given totaled €7,529m, making 17% of total assets. The ratio of guarantee-assigned assets is controlled by limits set by the Board of Directors' Risk Committee.

Financial disclosure of encumbered assets

Template A - Assets In millions of euros	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**7,529**		**35,826**	
Loans on demand	431		1,450	
Equity instruments			135	
Debt securities			760	
Loans and advances other than loans on demand	7,060		31,312	
Other assets	38		2,168	

Template B - Collateral received In millions of euros	FV of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution		**719**
Loans on demand		719
Equity instruments		
Debt securities		
Loans and advances other than loans on demand		
Other collateral received		
Own debt securities issued other than own covered bonds or asset-backed securities		

Template C - Encumbered assets/collateral received and associated liabilities In millions of euros	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and assetbacked securities encumbered
Carrying amount of selected financial liabilities	**5,081**	**7,529**
Derivatives	15	38
Deposits	2,000	2,795
Debt securities issued	3,066	4,696
Other sources of encumbrance		

IX - OPERATIONAL AND NON-COMPLIANCE RISKS

A - OPERATIONAL AND NON-COMPLIANCE RISK MANAGEMENT

RCI Banque is exposed to risks of loss ensuing either from external events or from inadequacies and shortcomings in its internal processes, staff or systems. The operational risk to which RCI Banque is exposed includes among other things the risks relating to events that are very unlikely to occur but that have a high impact, such as the risk of business interruption due to the unavailability or premises, staff or information systems.

The operational risk management process covers all the RCI Banque group's macro-processes and includes the following tools:

- The mapping of operational risks, deployed in all consolidated subsidiaries of the RCI Banque group, identifies major operational risks that are periodically managed and inspected. This operational risk mapping is updated annually by the business lines departments and is assessed by the process owners.
- Closely related processes have been put in place for these risks:

• The risk of non-compliance:

  • a framework procedure for compliance control, adapted locally by each subsidiary, includes arrangements for approving new products, the channel and the persons responsible for regulatory monitoring, and a whistleblowing mechanism;

  • a compliance committee meets every quarter, following on from the internal control and operational risk committees, and during such meetings the internal controller presents forthcoming changes in regulatory requirements, the actions to implement and those under way.

• The risk of internal fraud

• The risk arising when essential or important services are outsourced

• The risk relating to money-laundering and terrorism-financing transactions

• The risk of corruption

- The incidents database identifies data relating to operational risk incidents in order to put in place the necessary corrective and preventive measures and produce regulatory, control and management reports. The process sets thresholds requiring immediate reporting of certain incidents to the Executive Committee, the Board of Directors, the Renault Groupe Ethics and Compliance Committee and the French Prudential Supervision and Resolution Authority.
- Key risk indicators are used to monitor changes in certain critical operational risks and implement preventive measures, according to the set warning level, aimed at anticipating the occurrence of incidents. These indicators are defined for the "enterprise and consumer customer", "Networks credit", "refinancing", "accounting" and "IT" processes.
- Disseminating a risk culture in the group helps control these risks.

The main operational risks concern business interruption, potential IT-related loss or damage - technological infrastructure or use of a technology -, internal and external fraud, failure to protect personal data, injury to reputation, inadequate human resources, mismanagement of pension schemes, as well as non-compliance with legislation, regulations and standards in matters of law, tax, accounting, anti-money laundering and the financing of terrorism, capital requirements (CRD IV/CRR), bank recovery and resolution (BRRD) and securities issues (bonds, securitization).

Are presented 4 classes of risk: legal and contractual risks, tax risks, IT risks and risks to reputation.

LEGAL AND CONTRACTUAL RISKS

Risk factors

The RCI Banque group's activity can be affected by any changes in legislation impacting on the distribution of credit and insurance at the point of sale, as well as by any changes in regulatory requirements governing banking and insurance.

Management principles and processes

RCI Banque carries out legal analyses of new distributed products and regularly monitors the regulations governing it to ensure it complies with them.

TAX RISKS

Risk factors

Through its international exposure, RCI Banque is subject to numerous national tax laws that can often change and that could affect its activity, financial position and earnings.

Management principles and processes

RCI Banque puts in place a tax monitoring process and a review grid that lists all the group's tax themes.

Any tax disputes that RCI Banque may face are closely monitored, and where appropriate provisions are funded to cover the estimated risk.

IT RISKS

Risk factors

The RCI Banque group's activity is partly dependent on the serviceability of its IT systems.

RCI Banque's IT systems contribute through their governance, security policy, technical architectures and processes to fight against computing risks (infrastructures, cybercrime, etc.)

Management principles and processes

These risks are controlled inter alia by:

- the level of protection of the Renault group computer network;
- daily coordination, monitoring and management of the Renault group "Information Control Policy";
- awareness-raising and training on security (e-learning, communications, etc.);
- actions, support and controlled carried out by RCI's IS Security Officer, who relies on a network of IT Security Correspondents in each subsidiary's IT division;
- a group IS Security policy, and an overall control process for IS security (information security management system);
- an increasingly stringent policy of intrusion testing and supervision;
- testing the business resumption plan (BRP) of RCI subsidiaries.

Focus of computer security

RCI Banque implements the Renault Groupe IS Security policy, also factoring in banking requirements, and placing particular emphasis on access control for its applications, protection of personal or sensitive data and business continuity.

As part of the RCI Banque group's emergency and business continuity plan, IS business resumption plans are operational on all the deployed and local applications of the RCI Banque group. They are tested at least once a year.

Users of the information system are contractually bound to observe the rules of use of the computer tool. RCI Banque ensures it preserves the same level of protection with regard to the development of new lines of business (electric vehicle, deployment in new territories).

Hosting the best part of the IT operations of all the countries in the "C2" (main) data center and the "C3" (backup) data center enables us to guarantee the highest level of protection and uptime for our systems and applications.

RISKS TO REPUTATION

Risk factors

RCI Banque is exposed to a risk of worsening perception by its customers, counterparties, investors or supervisors, that could adversely affect the group.

Management principles and processes

RCI Banque has put in place corporate governance ensuring efficient management of compliance risks. Through the development and analysis of indicators, the monitoring of this risk enables us where appropriate to take corrective action.

B - MEASUREMENT OF OPERATIONAL RISKS AND MONITORING PROCESS

The internal control, operational risk and compliance committees of entities and of the group convene every quarter and are structured to monitor changes in the mapping, assessments, the different control levels, incidents, key risk indicators and the related action plans.

C - EXPOSURE TO THE RISK AND CALCULATION OF REQUIREMENTS

Operational risk is treated by the standard method.

The capital requirement calculation is based on average net banking income observed over the last 3 years and gross of other operating charges, broken down into two business segments (retail banking and commercial banking), the regulatory coefficients are respectively of 12% and 15%. The retail banking business line includes loans to individuals and to SMEs that match the definition given in article 123 of the CRR. The commercial banking business line includes all other RCI Banque activities.

The operation risk management process is described in the chapter on financial security.

Operational risk

In millions of euros	Commercial Banking	Retail Banking	TOTAL
NBI - other operating expenses excluded (3 years average)	919	815	1,734
Value at risk (standardized method)	1,723	1,222	2,945
Own funds requirements	**138**	**98**	**236**

D - INSURANCE OF OPERATIONAL RISKS

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTION

The French companies of the RCI Banque group are affiliated to the world property/business interruption insurance program taken out by Nissan Motor Co. Ltd and Renault S.A.S.

The risk prevention policy is characterized by:

- installation of efficient safety systems;
- staff training (awareness of their role in prevention of damage to property);
- installation of backups in the event of business interruption, as group production is highly dependent on the serviceability of its computer systems.

In the foreign subsidiaries of the RCI Banque group, contracts are negotiated with local insurers and are monitored centrally to ascertain they are fit for purpose in apprehending the risks to cover.

THIRD-PARTY LIABILITY

The operational liability (the company's liability for damage caused to a third party while conducting its business, in any place, through the fault of the insured person, the staff, buildings and equipment used for the business) of the French subsidiaries has since January 2010 been covered by the Renault Groupe world program.

Only third-party liability after delivery and/or errors and omissions liability (damage or loss resulting from mismanagement or non-observance of a contractual obligation vis-à-vis third parties) specific to the RCI Banque group's lines of business is still covered by contracts specific to the RCI Banque group:

- one contract covers the third-party liability after delivery and/or errors and omissions liability of the Diac and Diac Rental subsidiaries, more particularly concerning long-term rental and car fleet management services;
- one contract insures the Diac and Diac Rental subsidiaries against the financial consequences of any third-party liability they may incur as owner or lessor of motor vehicles and equipment by virtue of the activities covered by this contract, namely lease purchasing, leasing with purchase option and long-term leasing, on the understanding that this contract is a second Tier insurance policy that is invoked if the lessee's insurance defaults;
- in matters of insurance intermediation (insurance contracts offered as a supplement to financing and rental products), RCI Banque and the Diac and Diac Rental subsidiaries are insured with specific Errors & Omission liability contracts together with a financial guarantee in accordance with articles L.512-6, L.512-7, R.512-14 and A.512-4 of the Insurance Code, regulations resulting from the French law of 15 December 2005 transposing the European directive of 9 December 2002.

For RCI Banque's foreign subsidiaries and branches, the operational and errors & omissions liability contracts, including Errors & Omission liability of the insurance intermediary, are negotiated with local insurers in accordance with local regulations resulting from the transposition of the European directive of 9 December 2002 for European countries or an equivalent regulation for countries outside the EEC. The Insurance and Services department oversees the consistency of the programs with group policies.

Since 1st January 2015, a new global Master program of professional liability insurance for the RCI Banque group has been taken out, supplementing local policies (with the exception of Turkey and Russia).

In respect of this program, the insurer meet the cost of the financial consequences (civil defence costs) of any claim filed by a third party on the grounds of malpractice committed exclusively within the framework of the insured activities, as described below, implicating the Errors & Omission liability of one or more insured parties (RCI Banque group subsidiaries).

The program covers the following two areas:

- so-called "regulated" activities (those for which Errors & Omission liability insurance is a legal obligation): insurance intermediation activities and, for certain countries, banking operations, defined as an "activity consisting in presenting, offering or helping to conclude insurance contracts, respectively, banking operations or payment services, or carrying out works and providing advice prior to their execution";
- so-called "unregulated" activities (those for which no Errors & Omission liability insurance is imposed by regulations): activities in the banking, stock market, financial, real estate, insurance and reinsurance industries.

X - OTHER RISKS

A - RESIDUAL VALUES RISK

Residual value is the estimated value of the vehicle when its financing plan ends. Developments in the used vehicle market can entail a risk for the holder of these residual values, who undertakes to buy back the vehicles at the end of their financing plan at a price fixed at the outset. This risk can be assumed by RCI Banque, by the manufacturer or by a third party (in particular the Dealers).

Developments in the used vehicle market are closely monitored in relation to the manufacturer's product range and pricing policy in order to reduce this risk as much as possible, especially in cases where RCI Banque buys vehicles back on its own account.

Breakdown of residual values risk

In millions of euros	Residual values					Provision for residual values				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Corporate segment:	247	123	28		3	12	4	1		
- France										
- European Union (excluding France)	*237*	*117*	*28*		*3*	*12*	*4*	*1*		
- Europe excluding European Union										
Retail segment:	1,652	1,525	884	569	460	24	11	4	2	2
- European Union (excluding France)	*1,626*	*1,501*	*884*	*569*	*460*	*22*	*8*	*4*	*2*	*2*
Total risk on residual values	**1,899**	**1,649**	**912**	**569**	**463**	**36**	**15**	**6**	**2**	**3**

Residual values risk not assumed by the RCI Banque group

In millions of euros	Residual values				
	2016	2015	2014	2013	2012
Corporate and Retail segments:					
- Commitments received from the Renault Groupe	2,943	2,343	1,908	1,472	1,510
- Commitments received from others (Dealers and Customers)	2,128	1,575	1,321	1,720	1,776
Total risk on residual values	**5,071**	**3,918**	**3,229**	**3,192**	**3,286**

B - INSURANCE RISKS

Insurance activities with customers, for which the risk is assumed by RCI Banque, could suffer losses if reserves were insufficient to cover the observed loss events.

Reserves are calibrated statistically to cover expected losses. During financial year 2016, variations in the actuarial reserves of our life and non-life insurance companies represented €58m for €273m of written premiums. Exposure to the risks is limited in other respects by diversification of the insurance and reinsurance contracts portfolio and of that of underwritten geographical areas. The group makes a strict selection of contracts, has underwriting guides and uses reinsurance agreements.

The insurance risk management process is described in greater detail in the notes to the consolidated financial statements in the part entitled "Consolidated financial statements".

C - RISKS RELATING TO COMMERCIAL DEPLOYMENT

The RCI Banque group is active in several countries. As such, it is subject to risks associated with activities conducted on a global scale. These risks include economic and financial instability, changes in government policies, social policies and the policies of central banks. RCI Banque's future earnings may be adversely affected by any of these factors.

The geographical choices of RCI Banque group sites are determined within the framework of its growth strategy, in support of the manufacturers, and factoring in the risks of instability that are integrated into a comprehensive approach.

In a complex economic environment, RCI Banque puts in place systems and procedures that meet statutory and regulatory obligations corresponding to its banking status, and that enable it to comprehensively apprehend all the risks associated with its activities and sites, by strengthening its management and control processes.

D - RISK RELATING TO SHARES

The RCI Banque group's exposures to shares not held for trading purposes represent equity interests in commercial entities that are controlled but not consolidated, measured at historical cost and weighted at 100%. They totaled €8m at the end of December 2016.

CROSS-REFERENCE TABLE

CRD IV	PURPOSE	consistency
article 90	Public disclosure of return on assets	Introduction
CRR	**PURPOSE**	**consistency**
article 432	Non-material, proprietary or confidential information	Introduction
article 433	Frequency of disclosure	Introduction
article 435	Risk management objectives and policies	
1a		Part I-A
1b		Part I-B
1c		Part I-A+C
1d		Part III-B+G + IV + IX-D
1e		Part I-A
1f		Part I-C
2a-d		Part I-B
2e		Part I-A+B+C
article 436	Scope of application	
a-b		Part II-A
c		Part II-B
d		Part II-A
e		Part II-B
article 437	Own funds	
a-e		Part II-C
f		NA own funds determined on the CRR basis only
article 438	Capital requirements	
a		Part II-E
b		NA no supervisory requirement
c-d		Part III-D
e		NA no capital required for market risk
f		Part II-D
article 439	Exposure to counterparty credit risk	
a-d		Part III-B
e-f		Part IV
g-i		NA credit derivative hedges not used
article 440	Capital buffers	Part II-B

article 441	Indicators of global systemic importance	Part II-B
article 442	Credit risk adjustments	Part III-A
article 443	Unencumbered assets	Part VIII-D
article 444	Use of ECAIs	
a-c		Part III-F
d		NA standard association compliance
e		Part III-F
article 445	Exposure to market risk	Part VI-C
article 446	Operational risk	Part IX-C
article 447	Exposures in equities not included in the trading book	
a-b		Part X-D
c-e		NA no exchange-traded exposure
article 448	Exposure to interest rate risk on positions not included in the trading book	Part VII
article 449	Exposure to securitisation positions	Part V
article 450	Remuneration policy	Part I-E
article 451	Leverage	
a-c		Part II-F
d-e		Part II-G
article 452	Use of the IRB Approach to credit risk	
a		Part III-E
b. i		Part III-E (e-iii)
b. ii		Part III-E + Part III-E (a+f)
b. iii		Part III-G
b. iv		Part III-E (g)
c		Part III-E (d+e)
d-f		Part III-E (c)
g-h		Part III-E (e)
i-j		Part III-E (d+e)
article 453	Use of credit risk mitigation techniques	Part III-G
article 454	Use of the Advanced Measurement Approaches to operational risk	NA Advanced Measurement Approaches not used
article 455	Use of Internal Market Risk Models	NA internal models not used
article 492	Disclosure of own funds	Part II-C

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Intro	Key figures
II-A	Carrying values for accounting and prudential purposes
II-A	Main sources of differences between regulatory exposure amounts and carrying values in financial statements
II-B	Risk-weighted assets and solvency
II-B	Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
II-B	Amount of institution-specific countercyclical capital buffer
II-C	Capital instruments' main features
II-C	Information on regulatory own funds
II-D	Overview of RWA
II-F	Leverage: reconciliation of exposures with carrying amounts
II-F	Leverage: breakdown of exposures and capital ratios
II-F	Leverage: split-up of on balance sheet exposures
II-F	Leverage: qualitative elements
III-A	Distribution of gross credit exposures (standard ans internal approaches)
III-A	Defaulted credit exposures and value adjustments
III-A	Changes in the stock of general and specific credit risk adjustments
III-C	Geographical distribution of average productive assets
III-D	Risk-weighted amounts and capital requirements for each class of exposure and approach
III-E-c	IRBA and IRBF exposures
III-E-c	Breakdown of exposures by category and indicator
III-E-d	Segmentation of exposures by the advanced method and average PD by country
III-E-d	Illustrative history of default rates per class
III-E-e	Segmentation of exposures by the advanced method and average LGD by country
III-E-e	Valuation adjustments - Advanced IRB method
III-F	Credit exposures under the standardized method
iV	CVA risk
VIII-D	LCR Q3/2016
VIII-D	LCR Q4/2016
VIII-D	Asset encumbrance (3 tables)
IX-C	Operational risk
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X-A	Residual values risk not assumed by the RCI Banque group

FINANCIAL SECURITY

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE *("CODE DE COMMERCE")*, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY RCI BANQUE S.A.

Year ended 31 December 2016

To the shareholders,

In our capacity as Statutory Auditors of RCI Banque S.A., and in accordance with Article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31st December 2016.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code *("Code de commerce").*

Other disclosures

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code *("Code de commerce").*

Paris La Défense, on the 13 February 2017

KPMG Audit
Valéry Foussé
Partner

ERNST & YOUNG Audit
Bernard Heller
Partner

REPORT OF THE CHAIRMAN OF THE BOARD ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

RCI Banque is regulated by France's Prudential Control and Resolution Authority *(Autorité de Contrôle Prudentiel et de Résolution* - ACPR) and, since the start of 2016, has also been regulated by the European Central Bank. The RCI Banque group's governance and internal control system are structured in accordance with regulations on banking and finance.

Its main purposes are to:

- ensure that the instructions and strategy set by senior management are implemented;
- preserve the capital and asset value of the Company;
- limit the effects of uncontrollable variations in business activity and anticipate their impact;
- ensure compliance with applicable laws and regulations;
- keep the governing bodies and the Board informed of risks, and the level at which they are mastered;
- generate fair and reliable accounting and financial information.

RCI Banque has an internal control and risk management system that complies with the regulations on banking and finance and is aimed at reducing the probability of occurrence of the risks to which the company is exposed, through the implementation of appropriate action plans.

This section describes, in the following order:

- organization of the RCI Banque group,
- the general internal control and risk management framework of the RCI Banque group,
- the bodies and people involved, and,
- the special-purpose organization that oversees the preparation of financial and accounting information.

It has been prepared by the divisions concerned (Corporate Secretary's Office, Risk Control division, Accounts and Performance Control division) and was examined and approved by the Board of Directors during its meeting of 3 February 2017.

I - ORGANIZATION OF THE RCI BANQUE GROUP

The aim of the organization put in place by the RCI Banque group is to boost its business action in both the financing of Alliance manufacturers' sales and associated services. It gives the support functions a more comprehensive role to play in supporting international expansion. Oversight of this organization is delivered in three ways:

Hierarchical line

- the **Executive Committee,** as the body in charge of managing the RCI Banque group, directs the group's policy and strategy, under the Board of Directors;
- the **management committees**, both central and in the controlled subsidiaries and branches, implement the actions needed to meet the objectives set by the Executive Committee.

Functional line

The functional departments play the role of "technical parent" for the following purposes:

- establishing specific policies and rules of operation for IT systems, human resources, financial policy, credit risk management, etc.);
- providing the operational departments with support and ensuring that established policies are implemented as they should be by those departments. The group also has standardized mapping of all of the company's processes.

Supervision

In accordance with the act implementing CRD IV and with the Order of 3 November on internal control, the role of Chairman (Clotilde Delbos) is separate from that of Chief Executive Officer (Gianluca de Ficchy - effective manager) and a Risk Management division has been created (Patrick Claude - effective manager).

Board of Directors has been backed up by five Board committees: a Risk Committee, an Accounts and Audit Committee a Remuneration Committee,
a Nominations Committee and a Strategic Committee.

II - GENERAL INTERNAL CONTROL AND RISK MANAGEMENT FRAMEWORK OF THE RCI BANQUE GROUP

RCI Banque has an overall internal control system aimed firstly at listing, analyzing and controlling the main identifiable risks with respect to the company's objectives (see "Risks" section of RCI's Annual Report). The Group Internal Control Committee has approved the general framework of this system described in the internal control charter, which applies to all French and foreign companies under the effective control of RCI Banque.

This charter, which establishes the model system that applies throughout the group, mainly covers:

- the general internal control oversight system;
- the systems used locally by subsidiaries and affiliates, branches and joint ventures;
- the specific systems used in different functional areas.

The most significant parts of the overall internal control system are detailed hereafter.

II.1 - FORECASTING AND REPORTING PROCESSES

The forecasting process is based on strategic goals incorporated into a three-year plan for the group and for each individual entity.

Based on the objectives and directives set by senior management and on economic forecasts (growth forecast, exchange rates, refinancing interest rates, automobile manufacturer markets), each group entity prepares an annual forecast that includes:

- a quantitative projection of its business and financial indicators to the end of the following year;
- an action plan describing how it will fulfill its contribution to meeting objectives.

The group consolidates the input from the different entities, which enables it to check the financial outcomes for consistency with the profitability and balance sheet targets set by senior management and to take corrective steps if necessary in the context of forecast updating.

Forecast updating and reporting processes are based on rules and tools to ensure that management receives reliable, usable information broken down by business segment (Customers, Dealers) and by brand (Renault, Renault Samsung Motors, Dacia, Nissan and Infiniti).

II.2 - CLEARLY DEFINED RESPONSIBILITIES AND INTERNAL DELEGATIONS

A system of internal delegation of authority has been put in place and helps to control deployment of group policies at the basic operational level. Areas of responsibility and delegations are determined by:

Definitions of functions

The organization of the group is set out in an official organization chart. Responsibilities are defined at each level of the organization, with the scope and limits of each individual's responsibilities detailed in a job description.

Internal delegation of authority

The decision-making process within the RCI Banque group is based on a system for delegating decision-making powers from the Chief Executive Officer on down, to meet two objectives:

- facilitate empowerment and accountability of line personnel;
- ensure that commitments are made at the appropriate level.

This system sets precise boundaries by level on the scope of decisions that line personnel are authorized to make and thus serves as a benchmark by which proper application can subsequently be verified.

Channels for recommendations and approvals ensure that commitment and investment decisions are made at the appropriate level.

The group has three decision-making forms: the internal procedure memorandum, the decision memorandum and the investment project contract.

The system also includes a set of limits for financial and credit risks, established with the approval of the shareholder.

II.3 - PROCEDURES AND OPERATING PROCESSES

The RCI Banque group has developed a general system of procedures and set forth a framework for the preparation of affiliate and group procedures.

All group employees have access to all procedures via a viewing, management and updating tool.

The main business processes within RCI Banque (loan approval, collections and delinquencies, refinancing, system security, physical asset security, risk monitoring, accounting, etc.) are covered by procedures based in particular on the principles of internal delegations and segregation of duties.

II.4 - THE DIFFERENT LEVELS OF INTERNAL CONTROL

The RCI Banque group's overall internal control system comprises three levels at which controls are applied:

PERMANENT CONTROL

• First-level control

First-level controls consist of the self-monitoring procedures followed by each department and each geographical unit. These entities are responsible for applying existing procedures in their respective field of operations, and for performing all controls specified by those procedures. First-level control is primarily operational control and therefore performed by process owners who have been trained for this purpose within each affiliate. This first-level control covers the main operational risks.

• Second-level control

The Permanent Control Department is responsible for oversight of second-level control while local internal controllers (for operational risks) and certain corporate employees (for the other risks) are responsible for implementation. They carry out checks and inspections to ensure that transactions are proper and compliant, and that set limits and related risk management systems and procedures are complied with. They are separate from and independent of the operational units.

PERIODIC CONTROL OR THIRD-LEVEL CONTROL

This is performed by independent oversight bodies (supervisory bodies, independent auditors, statutory auditors, etc.) and by the RCI Banque group's Audit and Periodic Control Department, which implements the annual audit plan approved by the Accounts and Audit Committee. Periodic control covers transaction compliance, compliance with procedures, the level of risk actually run, and the effectiveness and appropriateness of the permanent control system.

The Statutory Auditors assess the degree of internal control in the processes of preparing and processing accounting and financial information insofar as is necessary for the performance of their audit, and where appropriate issue recommendations.

II.5 - RISK MANAGEMENT

In accordance with CRD IV and the Capital Requirements Regulation (CRR), RCI Banque has a risk control system subject to regular review, which has three areas of focus:

- Monitoring and oversight of risks incorporating the group's governance structure and more especially the requirements of the Board of Directors and of its committees.
- Analysis of the company's existing and new risks in line with the business model and strategy.
- Overall risk management system and consistent approach to identifying, measuring, monitoring and controlling each risk, so as to manage the group's exposure to risk.

The main risks are presented in the "Risks – Pillar III" chapter of RCI Banqute's Annual Report.

III - BODIES AND PEOPLE INVOLVED

III.1 - BODIES

III.1.1 BOARD OF DIRECTORS

In accordance with France's Commercial Code (Code de Commerce), Monetary and Financial Code (Code Monétaire et Financier) and more generally, all regulations that apply to the banking sector, the role and responsibilities of the Board of Directors, a supervisory body, are as follows:

- it determines the broad lines of the company's business activities and oversees implementation, by the effective managers and the Executive Committee of supervisory systems so as to ensure effective and prudent management;
- it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the company is or might be exposed, including risks generated by the economic environment. In this respect, it ensures that the group's risk management systems are appropriate and effective, inspects and verifies the exposure to risk of its activities and approves the level of risk appetite and the related limits and alert thresholds as determined by the Risk Committee. It also ensures that corrective measures taken to remedy any shortcomings are effective;
- it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of risks;
- it makes sure that the single-entity and consolidated financial statements are true, fair and accurate, and that the information published by RCI Banque is of high quality;
- it approves the Annual Business Report and the Chairman's Report on corporate governance and internal control and risk management procedures;
- it adopts and reviews the general principles of the remuneration policy applied within the RCI group;
- it discusses the company's policy on equality between men and women in the workplace and equal pay;
- it discusses beforehand any changes to RCI Banque's management structures;
- it prepares and convenes the Annual General Meeting of Shareholders and establishes its agenda;
- it may delegate to any person of its choosing the powers needed to complete, within a one-year limit, bond issues, and to determine the terms and conditions thereof;
- subject to the powers specifically allocated to shareholders' meetings, and within the purview of the company's corporate purpose, it deals with all matters relating to the good conduct of the company's business and decides all pertinent issues through its deliberations.

The Board of Directors devotes at least one annual meeting to a review of the internal control system and approves the Annual Report on Internal Control sent to France's Prudential Control and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR).

It also has the power to authorize transactions affecting the share capital, bond issues, the signature or termination of agreements with other undertakings that entail commitments affecting the company's future, and major transactions likely to alter significantly the scope of business or capital structure of the company and the group it controls.

The Board of Directors relies in particular on the work of the different Board Committees to help it fulfill its duties (see below).

In order to present and describe the working methods and decision-making processes of the governing bodies and the distribution of powers among them, information is presented on the following:

- composition of the Board of Directors, management procedures and scope of senior management powers;
- manner of preparation for Board meetings;
- the Board's activities during 2016.

The statutory allocation of earnings and arrangements for general meetings are detailed in the "Special by-law provisions" section of the "General Information" chapter of the RCI Banque Annual Report.

III.1.1.1 COMPOSITION OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT POWERS

III.1.1.1.1 COMPOSITION OF THE BOARD OF DIRECTORS

At 31 December 2015, the Board of Directors of RCI Banque S.A. consisted of seven directors elected for terms of six years, except in the case of co-option.

The directors have been appointed to the Board of Directors on the basis of their good repute, their knowledge of the company's activity and lines of business, their technical and general expertise and, in some cases, the experience acquired in performing their duties in the shareholder companies.

Collectively, the members of the Board of Directors and the effective managers have the knowledge, expertise and experience needed for a full understanding of all of the company's business activities, including the main risks to which it is exposed, of the sales financing sector, of the Renault-Nissan Alliance and of the automotive sector.

On the recommendation of the Nominations Committee, the Board of Directors has defined the notion of independent director as follows: "An RCI director is independent when he or she has no relationship of any kind whatsoever with either the RCI group or its management that might color his or her judgment. Accordingly, an independent director is understood to be not only a non-executive director, i.e. one not performing management duties in the RCI group, but also one devoid of any particular bonds of interest (significant shareholder, employee, other) with them." On this basis, it has identified five directors as being independent (see below).

Under the French Act 2011-103 of 27 January 2011, amended by Act 2014-873 of 4 August 2014, companies are required to gradually introduce a minimum percentage of members of each gender on their Boards of Directors, so as to ensure the balanced representation of men and women. At the current time, RCI Banque's Board of Directors has two women members and five men members.

On the recommendation of the Nominations Committee, the Board of Directors is aiming to gradually bring its composition to at least 40% women members and 40% men members. To achieve this gender balance target, it intends to focus on female applicants when the next appointments are made.

First/Last name	Position in the company	Date elected or re-elected	Current term expires	Number of shares	% of capital
Clotilde Delbos	Chair of the Board Independent Director	21/11/2014	May 2020	-	0.000001%
Farid Aractingi	Independent Director	21/05/2012	May 2018	-	
Gianluca de Ficchy	Chief Executive Officer and Director	21/11/2014	May 2020	1	
Thierry Koskas	Independent Director	01/04/2016	May 2021	-	
Isabelle Landrot	Director	26/07/2016	May 2018		
Bernard Loire	Independent Director	21/05/2012	May 2018	-	
Stéphane Stoufflet	Independent Director	28/05/2015	May 2021	-	
Shareholder as at 31 December 2016					
RENAULT S.A.S				999,999	99.99%

Directors may or may not own shares in the company.

Directors receive no compensation for serving on the Board.

Any remunerations and perquisites granted to officers and directors are determined at the Renault Group level. They are subject to examination by the Remuneration Committee, which verifies that they are in line with the company's business strategy, objectives, values and long-term interests so as to prevent conflicts of interest and promote sound and effective risk management.

Mr Patrick Claude, Company Secretary and VP Risk Management, and Ms Alice Altemaire, VP Accounts and Performance Control, as well as any other individual whose expertise might be useful, may take part in meetings of the Board upon proposal by its Chairman.

III.1.1.1.2 SENIOR MANAGEMENT AUTHORITY AND SCOPE OF POWERS

The Senior Management and effective management of the company, within the meaning of Article L.511-13 of France's Monetary and Financial Code (*Code Monétaire et Financier*), are the responsibility of the CEO, Mr. Gianluca De Ficchy, and of the Deputy CEO, Mr. Patrick Claude.

The CEO is vested with the widest powers to act in the Company's name in all circumstances, within the purview of the Company's corporate purpose, and subject to those that are specifically granted by law to shareholders' meetings and to the Board of Directors. The CEO has the authority to grant sub-delegations or substitute powers of attorney for one or more specified transactions or categories of transactions.

However, the CEO must obtain authorization from the Board of Directors to acquire, sell or mortgage buildings, the Board intending to retain authority in such matters.

The Deputy CEO has the same powers as the CEO with regard to third parties.

III.1.1.2 PREPARATION OF BOARD OF DIRECTORS' MEETINGS

The procedures and conditions governing the organization of RCI Banque's Board of Directors and of its specialist committees, as well as the way in which they operate and are run, are formally established in a set of internal rules and regulations adopted by the Board of Directors on 28 November 2016.

The Board of Directors meets at least four times a year and as often as the interest of the Company requires, upon notice duly served adequately in advance, by any means, by the secretary of the Board appointed by the Chairman, in accordance with the provisions of the by-laws.

In accordance with Article L.823-17 of France's Commercial Code (*Code de Commerce*), the statutory auditors are invited to all meetings of the Board of Directors examining or preparing the annual or interim financial statements, and if relevant, to other meetings at the same time as the Directors themselves.

All technical documents and information required for the directors to fulfill their responsibilities are sent to them in compliance with the applicable provisions of the law and the Company's by-laws.

Meetings of the Board of Directors are chaired by the Chairman, who establishes the timetable and agenda for each meeting. He/she organizes and oversees the work of the Board and reports thereon to the Annual General Meeting. He/she chairs General Meetings of shareholders.

The Chairman makes sure that the company's bodies operate properly and that best governance practices are implemented. This applies in particular to the committees set up within the Board of Directors, whose meetings the Chairman may attend. He/she may submit questions to be examined by these committees for their opinion. He/she is responsible for producing a report on corporate governance and internal control and risk management.

The Chairman is provided with all information required to perform his/her duties and tasks. He/she is provided with regular updates by senior management on all significant events relating to the life of the RCI group. He/she may request communication of all appropriate documents and information needed to enlighten the Board of Directors. In this respect, he/she may also interview the Statutory Auditors and, after informing the Chief Executive Officer thereof, any member of the RCI group's Senior Management.

The Chairman ensures that the members of the Board of Directors are in a position to fulfill their duties and makes sure that they are properly informed.

III.1.1.3 ACTIVITY OF THE BOARD OF DIRECTORS DURING 2016

The Board of Directors - On 8 February 2016, the Board met to examine the 2015 business report and to approve the single-entity and consolidated financial statements as at 31 December 2015, to be submitted to the Annual General Meeting on 20 May 2016; it also approved the 2016 budget and the adoption of a new trading name, "RCI Bank and Services". On the recommendation of the Remuneration Committee, the Board also confirmed the RCI group variable component system for the 2016 financial year, and on the recommendation of the Risk Committee, it approved the level of risk appetite and the related limits and alert thresholds.

- On 1 April 2016, the Board decided to co-opt Mr Thierry Koskas as Director following the resignation of Mr Jérôme Stoll.
- On 25 April 2016, the Board decided to appoint Ms Clotilde Delbos as Chairman of the Board of Directors, following the resignation of Mr Dominique Thormann.
- On 26 July 2016, the Board decided to co-opt Ms Isabelle Landrot as Director following the resignation of Mr Dominique Thormann; it also examined the business report for the first six months of 2016 and approved the consolidated interim financial statements as at 30 June 2016. On the recommendation of the Risk Committee, the Board approved the 2015 Report on Internal Control.
- On 28 November 2016, the Board analyzed the refinancing transactions completed to end-November 2016 and the funding plan for 2017. It then authorized issues

for the 2017 financial year and renewed the relevant delegations of authority through to 31 December 2017. The Board also approved RCI Banque's "ICAAP strategic memorandum" and "ILAAP Setup & Framework founding procedure". It also approved the 3-year plan scenarios and the dividend distribution policy principles. On the recommendation of the Risk Committee, it approved the changes made to the list of risks and appetite for them. On the recommendation of the Remuneration Committee, it approved the remuneration policy for risk takers. On the recommendation of the Nominations Committee, it approved the definition of "independent director", the identification of such directors within the Board of Directors, and for 2017 adopted a target and policy with respect to the balanced representation of both men and women in the Board of Directors. The Board also adopted a set of Internal Rules and Regulations for the Board of Directors.

The director attendance rate at these meetings was 77% across the year.

The meetings of the Board of Directors were held at 13-15, Quai Le Gallo, 92512 Boulogne-Billancourt, France, at the head office of Renault S.A.S, RCI Banque's parent company.

The minutes of each Board of Director's meeting were drawn up by the secretary of the Board, approved at the following meeting, and transferred to a register held at the company's head office and available for inspection by the directors.

III.1.1.4 SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

The **Accounts and Audit Committee** met twice in 2016. Its main duties were to present and monitor the financial statements and preparation thereof, and to monitor the statutory audits of the annual and consolidated financial statements. It also examined the audit plan and analyzed the audits performed. The Committee monitored the effectiveness of the internal control and risk management systems, the independence of the statutory auditors, and recommended their re-appointment following expiry of their current term of office. The Committee also took account of the EU Audit Reform legislation and adopted an internal procedure for approving non-audit services provided by the Statutory Auditors.

The **Risk Committee** met four times in 2016. Its main duties were to review risk mapping and validate the definition of risks, and to analyze and validate the RCI group's limits on risk in keeping with the Board's risk appetite, and, with a view to assisting the Board, in terms of control. It was also in charge of action plan analysis in the event of limit or threshold overrun and of reviewing product and service pricing systems. With a view to advising the Board of Directors, the Committee also approved the Report on Internal Control, and analyzed the ICAAP and ILAAP systems and the recovery plan.

The **Remunerations Committee** met three times in 2015. Its main duties were to review the remuneration granted to officers and directors and to the Chief Risk Officer, and to prepare decisions for the Board of Directors concerning individuals with an impact on risk and risk management. It was also tasked with examining the signature of the collective agreement, defining principles and rules for determining remuneration for officers and directors, and the annual review of remuneration policy.

The **Nominations Committee** met four times in 2016. Its main duty was to recommend members for the Board of Directors. It was also tasked with the annual review of the Board of Directors, and in particular with reviewing its structure, its make-up, the diversity of knowledge, expertise and experience of its members, and its gender balance objectives. The Committee was also asked to submit a proposal for the definition of "independent director" and to recommend nominations for consideration by the Board of Directors for the positions of Effective Manager, CEO, Deputy CEOs and Chief Risk Officer.

The **Strategic Committee** met four times in 2015. Its main duties were to analyze the rollout of the strategic plan, and to examine and approve various strategic projects.

III.1.2 EXECUTIVE COMMITTEE

The RCI Banque group's Executive Committee, which is the group's senior management body, directs RCI Banque's policy and strategy. Its members are the group's two effective managers, the Chief Executive Officer of RCI Banque (Gianluca De Ficchy) and the Company Secretary & Chief Risk Management Officer (Patrick Claude), plus the Senior V.P. Information Systems (Umberto Marini), the Senior V.P. Accounts and Performance Control (Alice Altemaire), the Senior V.P. Human Resources (Hélène Tavier), the Senior V.P. Sales Operations (Daniel Rebbi), the Senior V.P. Customers and Operations (Jean-Philippe Vallée), the Senior V.P. Territories (Dominique Signora) and the Senior V.P. Finance and Group Treasurer (Jean-Marc Saugier).

It oversees the group's risk management via the following committees:

- the **Finance Committee**, which reviews the following: economic analyses and forecasts, resource cost, liquidity, interest rate and counterparty risks across the group's different scopes and subsidiaries. Changes in RCI Holding's balance sheet and income statement are also analyzed so that the necessary adjustments to intra-group transfer prices can be made;
- the **Credit Committee**, which validates commitments that are beyond the authority of the subsidiaries and group Commitments Officer;
- the **Performance Committee, for "Customer and Dealer Risks" matters**, which assesses the quality of customer lending and subsidiary collection performances in relation to objectives set. With respect to the Dealer business, changes in outstandings and stock rotation indicators, as

well as changes in dealership and loan classification are reviewed;

- the **Regulations and Basel III Committee** which reviews major regulatory changes in prudential supervision and action plans, and validates internal rating models and the related management system;
- the **Internal Control, Operational Risks and Compliance Committee** oversees the whole of the group's internal control system, checks its quality and its related systems, and adjusts means, systems and procedures accordingly. It defines, oversees and monitors the principles of t he operational risk management policy, and the principles of the compliance control system. It monitors progress made on the action plans. This body is transposed in the subsidiaries.

III.2 - FOCUS ON INTERNAL CONTROL BODIES

III.2.1 PERMANENT CONTROL BODIES

The Head of the Permanent Control Department (PCD), who reports to the Chief Risk Officer, is responsible for ongoing control, for control of compliance with standards, legislation and regulations, and for implementation of the general internal control system across the whole of the group. He/she is also responsible for coordination and control of the overall system of risk management and provides centralized supervision of limits.

For internal control oversight within RCI Banque group subsidiaries, the Permanent Control Department relies on internal controllers, who report to it functionally and directly to the subsidiary's managing director. The internal controllers' primary responsibilities within the subsidiary are to:

- lead and oversee deployment of the internal control system (chair of the subsidiary's internal control committee, procedure management, action plan follow-up);
- carry out the second-level controls;
- monitor and measure operational risks;
- detect and prevent internal fraud and money laundering;
- ensure efficiency of the business continuity plan;
- ensure deployment of the group's code of ethics;
- manage the local compliance control system.Similarly, the Permanent Control Department relies on designated officers within the oversight functions to watch over the internal control system within RCI Banque group divisions.

Lastly, process owners have been designated for each macro process and made accountable for the accomplishment and updating of procedures and first-level controls.
They implement internal control principles (due observance of segregation of duties, internal delegation of authority and the implementation of automated controls), and compliance with group and official rules and regulations (for example, CNIL data protection regulations, data purging, confidentiality).

Regulatory monitoring officers are responsible for monitoring and analyzing any changes in regulatory requirements affecting RCI Banque, and for informing line staff thereof, as part of the compliance control system implemented to ensure the company is properly managed.

Software and Datawarehouse business managers ensure proper observance of the IT security policy and access rules, in particular the management of clearance levels (clearance level arrangements, the definition of business profiles and the related application permissions).

III.2.2 PERIODIC CONTROL BODIES

The RCI Banque group's Head of Audit and Periodic Control reports to the CEO and is independent of the permanent control function. He performs audits in the different RCI Banque group entities according to an annual audit plan approved by the Accounts and Audit Committee. Audit findings are documented in written reports the recommendations of which are communicated to the Internal Control Committee and to the Accounts and Audit Committee. The Board of Directors is also informed of the audits carried out, and they are presented in the annual report on internal control sent to France's Prudential Control and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR) as required under banking regulations.

The RCI Banque group prepares consolidated financial statements using a single consolidation tool and a set of consolidation entries common to all entities. The consolidation tool generates accounting and management reports from a single stream reporting system, thereby ensuring data consistency between the financial statements and the various in-house performance indicators.

The RCI Banque company prepares single-company financial statements by compiling the head office's financial statements and those of its branches. To do this, it uses the elements given in the common consolidation tool and converts them into French accounting standards.

IV - ORGANIZATION AND PREPARATION OF FINANCIAL AND ACCOUNTING INFORMATION

The RCI Banque group prepares consolidated financial statements using a single consolidation tool and a set of consolidation entries common to all entities. The consolidation tool generates accounting and management reports from a single stream reporting system, thereby ensuring data consistency between the financial statements and the various in-house performance indicators.

The RCI Banque company prepares single-company financial statements by compiling the head office's financial statements and those of its branches. To do this, it uses the elements given in the common consolidation tool and converts them into French accounting standards.

IV.1 - PREPARATION OF FINANCIAL STATEMENTS

The consolidating entity, RCI Banque, defines, manages and supervises the preparation of accounting and financial information. Responsibility for preparing single-entity financial statements and accounts restated for consolidation purposes lies with each subsidiary's administrative and financial directors, acting under the authority of the subsidiary's chairman and chief executive officer.

The following general policies govern financial statement preparation at all levels within the group:

- all transactions must be accounted for and reconciled;
- transactions must conform to the accounting policies that govern the entire group. A set of reference documents disseminated to all group entities establishes measurement and presentation standards as well as charts of account. These standards help to ensure consistency in the financial information that management receives;
- assets, liabilities and off-balance sheet items (receivables, borrowings, derivatives, cash and equivalents, etc.) are periodically reviewed to reconcile the accounts with the group's operational, account validation and inventory systems. In addition, the group's internal control and operational risk management organization described above applies to the process of preparing accounting and financial information.

A group procedure sets out the principles for account validation throughout the RCI Banque group. This procedure applies to the single-entity statements and group statements of RCI Banque group entities and thus helps to control the risks related to the organization of accounting and the processing of information.

Effective linking of financial reporting to the group's operational systems is the keystone of the organizational scheme for preparing accounting and financial information. The group must rely on powerful, controlled information systems that can cope with the large volume of data to be processed, process that data to the requisite quality standard, and meet the short 4-day deadlines for financial reporting.

IV.2 - INFORMATION SYSTEMS AND ORGANIZATION

IV.2.1 USE OF AN INTEGRATED SOFTWARE PACKAGE

For accounting, the RCI Banque group has chosen to implement a widely recognized software application (Enterprise Resource Planning, or ERP). This highly structured, integrated application enables the group to implement its own internal control policies and ensure data consistency and reliability. In particular, the ability to define and monitor user profiles helps in complying with rules governing separation of responsibilities.

This software package, combined with a group-wide accounting interpretation tool, has been designed to incorporate the specific features of the group's various activities through the use of different modules.

Reliability of financial and accounting information is ensured mainly by controlling and standardizing the basic transactions processed by the operational systems, following group guidelines. These basic transactions feed data through interfaces to the group-wide accounting interpretation tool, which in turn sends the accounting translation of management events or inventory data to the ERP system.

Control over accounting output is reinforced by the centralized maintenance of the accounting system (accounting interpretation tool and ERP) by a team of functional and technical experts.

IV.2.2 OPERATIONAL SYSTEMS AND CONTROL

Initial controls are performed via the major operational systems used for financing, service and refinancing transactions under the responsibility of the main lines of business (approval, collections/delinquencies, services, refinancing). Each of the tools used for approval, finance and service contract management, customer and supplier relationship management, administration of refinancing, purchase order follow-up, and human resources management entails its own specific control approach. These form part of the operational procedures used to manage physical and financial transactions, in compliance with group procedures for authorization and delegation.

The financial and accounting teams play close attention to transfers of transaction data between the accounting systems and non-integrated operational systems.

For example, at the group level:

- account balances and movements are cross-checked against stock and flow data to ensure that data in the financing, services, receivables and payables management systems are consistent, and any discrepancies are analyzed and monitored;
- invoices are checked against purchase orders and investments recognized on the books to ensure consistency with the purchasing and capital expenditure tracking systems.

Accounts are kept in accordance with group-wide standards, with a single operational accounting plan (group-wide accounting plan enhanced to meet country-specific requirements). However, accounting operations in keeping with local standards are possible, allowing financial statements to be prepared in accordance with both group standards and local standards.

All financial data required to produce the RCI Banque group's consolidated financial statements is collected and managed by a single tool. The control process built into this tool and its maintenance, which is performed by a dedicated unit, ensure that affiliate data is accurate and consistent.

IV.2.3 ROLES OF ACCOUNTING AND MANAGEMENT TEAMS

The accounting units of the affiliates assisted by the centralized support functions analyze the accounts and explain changes in financial data from one accounting period to the next, working in conjunction with the local and central management controllers, who analyze performance in comparison with budget and revised forecast data. If the analysis of budget or forecast variances or any other verification procedure reveals shortcomings in the quality of data emanating from the associated accounting or operational system, action plans are implemented with the active involvement of line personnel and the finance function to eliminate the root causes of the anomalies.

IV.2.4 ROLE OF THE GROUP ACCOUNTING CONTROL UNIT

To complement this existing process (internal control, RCI Banque audit, Statutory Auditors, etc.) with a view to enhancing the ongoing reliability of financial information, the group accounting control unit, which reports to the Permanent Control department, conducts audits to assess the quality of internal control of accounting. The objective is for the unit to control the consolidated affiliates' books on a regular basis. This system helps to promote knowledge of the group's accounting principles and improve implementation thereof.

IV.2.5 MANAGEMENT OF THE ACCOUNTING FUNCTION

A department dedicated to coordinating the accounting function verifies the conditions under which the accounts are prepared and supported, through information provided by indicators, as per the Period-End Closure framework procedure. These indicators are filled in by each affiliate's financial officer four times a year.

Each year, the Finance Departments of the different entities assess their accounting and financial risk control mechanisms in relation to the group's management policy. This assessment is part of the RCI Banque group's overall risk assessment process.

All information arriving from the affiliates is analyzed and controlled at the central level.

Progress made on action plans (related to accounting control) and on rectifying any shortcomings observed in accounting risk control systems is monitored.

IV.2.6 PUBLICATION OF FINANCIAL STATEMENTS

The RCI Banque group publishes financial information for the six months ended 30 June and for the full year ended 31 December. In anticipation of these statements, pre-closings are performed twice a year, at 31 May for the June statement and at 31 October for the December statement.

Management (mainly Financial) then holds wrap-up meetings with the external auditors.

The RCI Banque group prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) guidelines published by the International Accounting Standards Board (IASB) for which a rule requiring adoption has appeared in the Official Journal of the European Union by the statement closing date.

CONSOLIDATED FINANCIAL STATEMENTS

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ERNST & YOUNG Audit
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France

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

RCI BANQUE GROUP
Year ended December 31, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your annuals generals meetings, we hereby report to you, for the year ended December 31, 2016, on:

• the audit of the accompanying consolidated financial statements of RCI Banque;

• the justification of our assessments;

• the specific verification required by law.

These consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2016 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L. 823-9 of the French commercial code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters

Estimations

Your group sets aside allowances to cover the credit risks inherent to its business operations, as disclosed in notes 3-D, 3E, 7-4, 7-5.1, 7-5.2 and 7-6 to the consolidated financial statements. As part of our assessment of significant estimates taken into account in the financial statements, we reviewed the processes put in place by management to identify risks and their adaptation to the context of current economic situation, to evaluate them and to determine their level of coverage by provisions in the assets of the balance sheet. We assessed the analysis of risks incurred based on a sample of individual borrowers and, for a sample of portfolios evaluated collectively, the data and variables used by your group in documenting its estimates.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, February 13, 2017

The statutory auditors
French original signed by

KPMG SA
Valéry Foussé

ERNST & YOUNG Audit
Bernard Heller

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	12/2016	12/2015
Cash and balances at central banks		1,040	1,937
Derivatives	2	238	374
Financial assets available for sale and other financial assets	3	955	643
Amounts receivable from credit institutions	4	1,024	851
Loans and advances to customers	5 et 6	37,923	31,579
Current tax assets	7	44	21
Deferred tax assets	7	106	105
Tax receivables other than on current income tax	7	316	189
Adjustment accounts & miscellaneous assets	7	748	623
Investments in associates and joint ventures	8	97	72
Operating lease transactions	5 et 6	715	558
Tangible and intangible non-current assets	9	28	28
Goodwill	10	86	93
TOTAL ASSETS		**43,320**	**37,073**

LIABILITIES AND EQUITY - In millions of euros	Notes	12/2016	12/2015
Central Banks	11.1	2,000	1,501
Derivatives	2	97	68
Amounts payable to credit institutions	11.2	1,845	1,433
Amounts payable to customers	11.3	13,267	10,933
Debt securities	11.4	19,544	17,534
Current tax liabilities	13	88	79
Deferred tax liabilities	13	333	324
Taxes payable other than on current income tax	13	28	20
Adjustment accounts & miscellaneous liabilities	13	1,556	1,274
Provisions	14	147	112
Insurance technical provisions	14	343	288
Subordinated debt - Liabilities	16	12	12
Equity		4,060	3,495
- Of which equity - owners of the parent		*4,046*	*3,482*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*2,827*	*2,295*
Unrealised or deferred gains and losses		*(197)*	*(166)*
Net income for the year		*602*	*539*
- Of which equity - non-controlling interests		*14*	*13*
TOTAL LIABILITIES & EQUITY		**43,320**	**37,073**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2016	12/2015
Interest and similar income	24	1,844	1,878
Interest expenses and similar charges	25	(761)	(861)
Fees and commission income		27	23
Fees and commission expenses		(17)	(14)
Net gains (losses) on financial instruments at fair value through profit or loss	26	9	(6)
Net gains (losses) on AFS securities and other financial assets	27	1	1
Income of other activities	28	1,050	959
Expense of other activities	28	(681)	(618)
NET BANKING INCOME		**1,472**	**1,362**
General operating expenses	29	(456)	(423)
Depreciation and impairment losses on tangible and intangible assets		(7)	(6)
GROSS OPERATING INCOME		**1,009**	**933**
Cost of risk	30	(104)	(93)
OPERATING INCOME		**905**	**840**
Share in net income (loss) of associates and joint ventures	8	7	4
Gains less losses on non-current assets			
PRE-TAX INCOME		**912**	**844**
Income tax	31	(286)	(271)
NET INCOME		**626**	**573**
Of which, non-controlling interests		24	34
Of which owners of the parent		602	539
Net Income per share (1) in euros		**601.59**	**538.62**
Diluted earnings per share in euros		**601.59**	**538.62**

(1) Net income - Owners of the parent compared to the number of shares

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	12/2016	12/2015
NET INCOME	**626**	**573**
Actuarial differences on post-employment benefits	(8)	3
Total of items that will not be reclassified subsequently to profit or loss	*(8)*	*3*
Unrealised P&L on cash flow hedge instruments	(28)	7
Exchange differences	(6)	(55)
Total of items that will be reclassified subsequently to profit or loss	*(34)*	*(48)*
Other comprehensive income	(42)	(45)
TOTAL COMPREHENSIVE INCOME	**584**	**528**
Of which Comprehensive income attributable to non-controlling interests	13	39
Comprehensive income attributable to owners of the parent	571	489

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital (1)	Attribut. reserves (2)	Consolid. reserves	Translation adjust. (3)	Unrealized or deferred P&L (4)	Net income (Shareholders of the parent company)	Equity (Shareholders of the parent company)	Equity (Non-controlling interests)	Total consolidated equity
Equity at 31 December 2014*	**100**	**714**	**2,023**	**(112)**	**(4)**	**417**	**3,138**	**13**	**3,151**
Appropriation of net income of previous year			417			(417)			
Restatement of Equity opening amount			4				4		4
Equity at 1 January 2015*	**100**	**714**	**2,444**	**(112)**	**(4)**		**3,142**	**13**	**3,155**
Change in value of financial instruments (CFH & AFS) recognized in equity					3		3	4	7
Actuarial differences on defined-benefit pension plans					3		3		3
Exchange differences				(56)			(56)	1	(55)
Net income for the year (before appropriation)						539	539	34	573
Total comprehensive income for the period				**(56)**	**6**	**539**	**489**	**39**	**528**
Effect of acquisitions, disposals and others			1				1	(1)	
Dividend for the year			(150)				(150)	(19)	(169)
Repurchase commitment of non-controlling interests								(19)	(19)
Equity at 31 December 2015	**100**	**714**	**2,295**	**(168)**	**2**	**539**	**3,482**	**13**	**3,495**
Appropriation of net income of previous year			539			(539)			
Equity at 1 January 2016	**100**	**714**	**2,834**	**(168)**	**2**		**3,482**	**13**	**3,495**
Change in value of financial instruments (CFH & AFS) recognized in equity					(16)		(16)	(12)	(28)
Actuarial differences on post-employment benefits					(8)		(8)		(8)
Exchange differences				(7)			(7)	1	(6)
Net income for the year (before appropriation)						602	602	24	626
Total comprehensive income for the period				**(7)**	**(24)**	**602**	**571**	**13**	**584**
Dividend for the year								(14)	(14)
Repurchase commitment of non-controlling interests			(7)				(7)	2	(5)
Equity at 31 December 2016	**100**	**714**	**2,827**	**(175)**	**(22)**	**602**	**4,046**	**14**	**4,060**

(1) The share capital of RCI Banque S.A. (100 million euros) consists of 1,000,000 fully paid up ordinary shares with par value of 100 euros each, of which 999,999 ordinary shares are owned by Renault S.A.S.
(2) Attributable reserves include the share premium account of the parent company.
(3) The change in translation adjustments at 31 December 2016 relates primarily to Argentina, Brazil, the United Kingdom, Russia, Turkey and South Korea. At 31 December 2015, it related primarily to Brazil, Argentina, the United Kingdom and South Korea.
(4) Includes changes in the fair value of derivatives used as cash flow hedges and available-for-sale assets for -€8.9m and IAS 19 actuarial gains and losses for -€13.4m at end-December 2016.
(5) Opening equity at first January 2015 has been restated for the impacts of IFRIC 21, for a total of +€4.4m.

(*) The 2014 financial statements have been restated.
Opening equity at first January 2015 has been restated for the impacts of IFRIC 21, for a total of +€4.4m.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	12/2016	12/2015
Net income attributable to owners of the parent company	**602**	**539**
Depreciation and amortization of tangible and intangible non-current assets	6	5
Net allowance for impairment and provisions	77	27
Dividends received of associates and joint ventures	1	
Share in net (income) loss of associates and joint ventures	(7)	(4)
Deferred tax (income) / expense	34	(18)
Net income attributable to non-controlling interests	24	34
Other (gains/losses on derivatives at fair value through profit and loss)	7	(18)
Cash flow	***744***	**565**
Other movements (accrued receivables and payables)	20	76
Total non-monetary items included in net income and other adjustments	**162**	***102***
Cash flows on transactions with credit institutions	*844*	406
- Inflows / outflows in amounts receivable from credit institutions	*(14)*	*(73)*
- Inflows / outflows in amounts payable to credit institutions	858	*479*
Cash flows on transactions with customers	*(4,184)*	(225)
- Inflows / outflows in amounts receivable from customers	*(6,748)*	*(3,860)*
- Inflows / outflows in amounts payable to customers	2,564	*3,635*
Cash flows on other transactions affecting financial assets and liabilities	*1,614*	1,260
- Inflows / outflows related to AFS securities and similar	*(299)*	*99*
- Inflows / outflows related to debt securities	*2,019*	*1,167*
- Inflows / outflows related to collections	(106)	*(6)*
Cash flows on other transactions affecting non-financial assets and liabilities	279	(170)
Net decrease / (increase) in assets and liabilities resulting from operating activities	**(1,447)**	**1,271**
Net cash generated by operating activities (A)	**(683)**	**1,912**
Flows related to financial assets and investments	(33)	(16)
Flows related to tangible and intangible non-current assets	(6)	(7)
Net cash from / (used by) investing activities (B)	**(39)**	**(23)**
Net cash from / (to) shareholders	(14)	(419)
- Outflows related to repayment of Equity instruments and subordinated borrowings		*(250)*
- Dividends paid	*(14)*	*(169)*
Net cash from / (used by) financing activities (C)	**(14)**	**(419)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (D)	**(7)**	**(43)**
Change in cash and cash equivalents (A+B+C+D)	**(743)**	**1,427**
Cash and cash equivalents at beginning of year:	2,382	955
- Cash and balances at central banks	*1,937*	*465*
- Balances in sight accounts at credit institutions	*445*	*490*
Cash and cash equivalents at end of year:	1,639	2,382
- Cash and balances at central banks	*1,040*	*1,937*
- Credit balances in sight accounts with credit institutions	*810*	*650*
- Debit balances in sight accounts with credit institutions	*(211)*	*(205)*
Change in net cash	**(743)**	**1,427**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RCI Banque S.A., the group's parent company, is a limited company (Société Anonyme under French law) with a Board of Directors and a fully paid up share capital of 100,000,000 euros. It is subject to all legislation and regulations applicable to credit institutions and is listed on the Bobigny Register of Trade and Companies under number 306 523 358.

RCI Banque S.A.'s registered office is located at 14, avenue du Pavé Neuf, 93168 Noisy-le-Grand Cedex, France.

RCI Banque S.A.'s main business is to provide financing for the Alliance brands.

The consolidated financial statements of the RCI Banque S.A. group as at 31 December relate to the Company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The RCI Banque group's consolidated financial statements for the year 2015 were established by the Board of Directors on 3 February 2017 and will be presented for shareholder approval to the Annual General Meeting on 22 May 2017.

As a reminder, the General Meeting of 20 May 2016 also put forward a proposal not to distribute dividends on the 2015 result.

The consolidated financial statements are expressed in millions of euros unless otherwise indicated.

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2016

- Merger by absorption of Companhia de Crédito, Financiamento e Investimento RCI Brasil by its daughter Banco RCI Brasil S.A. in February 2016. No changes were made in the acquiring company's consolidation method, or in the breakdown between owners of the parent company (60.11%) and non-controlling interests (39.89%)
- Merger by absorption of RCI Gest Instituçào Financeira de Credito S.A. by RCI Banque Sucursale Portugal with transfer of assets to RCI COM S.A., a new trading company carrying operating lease transactions in Portugal, which was added to the scope of consolidation at the same time as the merger. This merger is neutral from the consolidation viewpoint.
- A new Fonds commun de titrisation issue:
    - In May 2016, Cars Alliance Auto Loans Germany V2016-1 issued AAA-rated notes backed by customer auto loans for €700 million.
- FCT CARS Alliance Auto Loans France V 2012-1 (Fonds commun de titrisation) matured.

Foreign affiliates that do not have a tax agreement with France

In accordance with the Order of 6 October 2009 in application of Article L. 511-45 of the Code monétaire et financier (French Monetary and Financial Code), RCI Banque declares that it has a 95% holding in RCI Servicios Colombia S.A. in Colombia and a 51% holding in RCI Colombia S.A.

The business of RCI Servicios Colombia S.A. consists in receiving commissions on lending provided to a business partner. This affiliate's main management indicators are monitored on a monthly basis. At 31 December 2016, its income before tax came to €2.5m.

The business of RCI Colombia S.A. mainly consists in the financing of customer and dealer sales in Colombia. At 31 December 2016 its pre-tax income came to -€3.5m.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, the RCI Banque group has prepared its consolidated financial statements for 2016 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) to 31 December 2016 and as adopted in the European Union by the statement closing date.

A) CHANGES IN ACCOUNTING POLICIES

The RCI Banque group applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2016.

New standards, interpretations and amendments not applied in advance by the group (provisional depending on expected EFRAG adoption dates):

Amendment to IAS 1	Disclosure Initiative
Amendment to IAS 19	Defined Benefit Plans – Employee Contributions
Amendment to IAS 27	Use of the Equity Method in Separate Financial Statements
Amendments to IAS 16 and 38	Clarification of Acceptable Methods of Depreciation
Amendment to IFRS 11	Accounting of Acquisitions of Interests in Joint Operations
Annual improvements – Cycle 2010 – 2012	Various provisions
Annual improvements – Cycle 2012 – 2014	Various provisions

The amendment to IAS 19 "Defined Benefit Plans – Employee Contributions" provides clarification of the accounting treatment of contributions received from employees or third parties within the framework of a defined benefit plan. This amendment, which is applied retrospectively, concerns the group but has no significant impact.

The group has not applied the following standards, improvements or amendments, published in the Official Journal of the European Union and application of which is mandatory as of 1 January 2017 or later, in advance.

New standards, improvements and amendments not applied in advance by the group

Amendment to IAS 7	Disclosure initiative
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments
Annual improvements 2014-2016	Various provisions
IFRIC 22	Foreign Currency Transactions and Advance Consideration

IFRS 9 "Financial Instruments":

On 29 November 2016, IFRS 9 "Financial Instruments" was published in the Official Journal of the European Union.

The changes introduced by IFRS 9 include:

- an approach to the classification and measurement of financial assets reflecting the business model in which assets are managed and their contractual cash flows: loans and debt instruments that are not considered as "basic" under the standard (Solely Payments of Principal and Interest) will thus be measured at fair value through profit or loss, whereas "basic" loans and debt instruments will be measured at amortized cost or at fair value (option) through equity depending on the management model used for those assets. The classification of financial liabilities remains essentially unchanged, with the exception of liabilities measured under the fair value option for own credit risk.
- a single credit risk impairment model: IFRS 9 moves from provisioning based on actual credit losses to a forward-looking model based on expected credit losses:
  - The new impairment model will require 12-month expected credit losses on originated or purchased instruments to be booked as soon as those instruments are recognized on the balance sheet.
  - Full lifetime expected credit losses will have to be recognized whenever there is a significant increase in credit risk since initial recognition.
- a noticeably reformed approach to hedge accounting: the aim of the IFRS 9 model is to better reflect risk management, notably by extending the scope of eligible hedge instruments. Pending a future macro-hedging standard, IFRS 9 allows current hedge accounting regulations (IAS 39) to be applied to all hedging relationships or just to macro-hedging relationships.

Disclosure requirements in the notes to consolidated financial statements have also been expanded significantly. The aim of these is to help users of financial statements to better understand the effect of credit risk on the amounts, timing and uncertainty of future cash flows.

Aware of the major challenge that IFRS 9 represents for banking institutions, the RCI Banque group initiated its IFRS 9 project, using a structure common to the Risk and Finance functions, in the final quarter of 2015. Steering committees bringing together Risk and Finance Function managers have been set up, along with operational committees dedicated to the various issues related to implementation of the new standard.

During the first quarter of 2016, initial work mainly focused on the principles of classification and measurement, a review of the financial instruments currently used with respect to these principles, and on determining the methodology for the new provisioning model.

During the last six months of 2016, the group continued to review its portfolios of financial assets so as to determine their future classifications and measurement methods under IFRS 9. Work to calibrate and validate the methodological framework setting out rules for assessing credit risk impairment and for determining one-year and full lifetime expected losses is being finalized for the Customer and Dealer businesses. The group has opted to use existing concepts and systems (particularly the Basel system) for exposures for which capital requirements for credit risk are calculated using the AIRB (Advanced Internal Rating-Based) prudential approach, which represents a very great majority of the group's Customer outstandings. This system will also be applied in a more simplified manner to portfolios for which capital requirements for credit risk are calculated using the standardized method. Provisions specific to IFRS 9, particularly the inclusion of forward-looking information, will be added to the Basel system.

Scoping studies with a view to adapting information systems and process are also ongoing, and certain IT developments have been initiated. Operational rollout of the project is planned for the first half of 2017.

At this stage of the IFRS 9 implementation plan, the consequences of implementation of the standard cannot be reasonably estimated in figures.

This standard is effective from 1 January 2018 and may be adopted early. The group has not decided which transitional arrangements it will apply.

IFRS 15 "Revenue from contracts with customers":

On 29 October 2016, IFRS 15 "Revenue from contracts with customers" was published in the Official Journal of the European Union. This standard will replace IAS 11 and IAS 18 and the related IFRIC and SIC interpretations. It puts forward a new five-step revenue recognition approach. It could have impacts on recognition of revenue from contracts containing several performance obligations with transaction prices that have a variable component, and on contracts that have a financing component. IFRS 15 also presents a new approach to accounting for warranties, distinguishing between assurance-type warranties and service-type warranties.

The analysis work currently in progress is not leading to the identification of any major changes in revenue recognition.

This standard is effective from 1 January 2018 and may be adopted early. The group is considering applying this new standard as from 1January 2018 using the retrospective method.

The group is also examining the new IFRS 16 "Leases", adoption of which by the European Union is expected in 2017.

New IFRS standards not adopted by the European Union		Effective date according to the IASB
IFRS 16	Leases	1 January 2019

On 16 January 2016, the IASB published IFRS 16 "Leases", which will replace IAS 17 and the related IFRIC and SIC interpretations and, for the lessee, will eliminate the distinction previously made between operating leases and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a financial liability representing its obligation to make lease payments. The right-of-use asset is amortized and the obligation to make lease payments is measured initially at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is to be used.

On the other hand, for the lessor, the treatment of leases under this standard is very similar to that under the existing standard.

This standard is effective from 1 January 2019 and may be adopted early.

B) CONSOLIDATION PRINCIPLES

Scope and methods of consolidation

The consolidated financial statements incorporate the accounts of companies over which the group directly or indirectly (subsidiaries and branches) exercises control, within the meaning of IFRS 10 (associate companies or joint control - joint ventures).

Associate companies and joint ventures are accounted for under the equity method (IFRS 11).

The securitized assets of Diac S.A., RCI FS Ltd, Banco RCI Brasil S.A, and the Italian and German branches, as well as the loans granted to Renault Retail Group, inasmuch as the majority of the risks and benefits thereof are retained by the RCI Banque group, remain on the asset side of the balance sheet.

Significant transactions between consolidated companies are eliminated, as are unrealized intercompany profits.

For the most part, the companies included in RCI Banque's scope of consolidation are the Renault, Nissan, Dacia, Samsung and Datsun vehicle sales finance companies and the associated service companies.

Acquisition cost of shares and goodwill

Goodwill is measured at the acquisition date, as the excess of:

- The total amount transferred, measured at fair value, and any participation amount which does not give controlling interest in the acquired company

And

- The net carrying amounts of acquired assets and liabilities

Costs related to the acquisition such as broker's commissions, advisory fees, legal, accounting, valuation and other professional and consulting fees, are recorded as expenses for the periods when costs are incurred and services received.

Debt issuance or equity costs are accounted for under IAS 32 and IAS 39.

If the business combination generates a negative goodwill, it is recorded immediately in the profit and loss account.

An impairment test is performed at least annually and whenever there is an indication of a loss in value, by comparing the book value of the assets with their recoverable amount, the latter being the highest value between the fair market value (after deducting the cost of disposal) and the going concern value. The going concern value is based on a market approach and determined by using multiples for each group of cash-generating units, which comprise legal entities or groups thereof in the same country. A single discounting value is used for all cash-generating units thus tested, which is the risk-free 10-year forward rate augmented by the average risk premium for the sector in which they operate.

One-year data projections about profit or loss are used.

Goodwill is therefore measured at its cost less any accrued impairment losses. If impairment is found, the impairment loss is recognized in the income statement.

Transactions with non-controlling interests (purchases/sales) are booked as capital transactions. The difference between the amount received or paid and the book value of the non-controlling interests sold or bought is recognized directly in equity.

Non-controlling interests

The group has granted buy-out commitments on the interests held by minority shareholders in fully consolidated subsidiaries. For the group, these buy-out commitments represent contractual obligations arising from the sales of put options. The exercise price for these options is determined by estimating the price the RCI Banque group would have to pay out to the non-controlling interests if the options were exercised, taking into account future returns on the financing portfolio existing at the closing date and the provisions set out in the cooperation agreements concerning the subsidiaries.

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities for a total amount of €203m at 31 December 2016, against €171m at 31 December 2015. This liability is initially measured at the present value of the estimated exercise price of the put options.

The counterpart entries for this liability are booked as decreases in the non-controlling interests underlying the options and, for the balance, a decrease in equity attributable to the owners of the parent company. The obligation to recognize a liability even though the put options have not been exercised means that, in order to be consistent, the group has applied the same accounting treatment initially as that applied to increases in its proportionate interests in controlled entities.

If the options have not been exercised when this commitment expires, the previous entries are reversed. If the options are exercised and the buyout is made, the amount recognized as a liability is extinguished by the cash outlay associated with the buy-out of the non-controlling interests.

C) PRESENTATION OF THE FINANCIAL STATEMENTS

The summary statements are presented in the format recommended by the Autorité des Normes Comptables (French Accounting Standards Authority) in its Recommendation 2013-04 of 7 November 2013 on the format of consolidated financial statements for banking sector institutions applying international accounting standards.

Operating income includes all income and expense directly associated with RCI Banque group operations, whether these items are recurring or result from one-off decisions or transactions, such as restructuring costs.

In 2016, the group made a change to the presentation of its financial statements, relating to the classification of taxes that meet the definition of a tax computed on a net interim result within the meaning of IAS 12 "Income Taxes" as current taxes on the income statement and balance sheet.

This change of classification concerns the French CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) tax paid by French entities.

D) ESTIMATES AND JUDGMENTS

In preparing its financial statements, RCI Banque has to make estimates and assumptions that affect the book value of certain assets and liabilities, income and expense items, and the information disclosed in certain Notes. RCI Banque regularly reviews its estimates and assessments to take account of past experience and other factors deemed relevant in view of economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in RCI Banque's future financial statements could differ from current estimates. The main items in the financial statements that depend on estimates and assumptions are the recoverable value of loans and advances to customers and allowances for impairment and provisions.

These estimates are taken into account in each of the relevant Notes.

E) LOANS AND ADVANCES TO CUSTOMERS AND FINANCE LEASE CONTRACTS

Measurement (excluding impairment) and presentation of loans and advances to customers

Sales financing receivables from end customers and dealer financing receivables come under the category of "Loans and advances issued by the company". As such, they are initially recorded at fair value and carried at amortized cost calculated according to the effective interest rate method.

The effective interest rate is the internal rate of return to maturity or, for adjustable-rate loans, to the nearest rate adjustment date. The discounted amount of amortization on any difference between the initial loan amount and the amount payable at maturity is calculated using the effective interest rate.

In addition to the contractual component of the receivable, the amortized cost of sales financing receivables includes interest subsidies received from the car maker or dealer as part of promotional campaigns, handling fees paid by customers, and commissions paid for referral of business. These items, which are all factors in the return on the loan, are either deducted from or added to the amount receivable. They are recognized in the income statement as a pro-rated portion discounted at the effective interest rate for the receivables to which they apply.

Finance lease contracts, as identified by the rules described in Part E, are in substance booked as sales financing receivables.

Income from the resale of vehicles at the end of finance lease contracts is included under "Net income / (expense) of other activities".

As a result, gains and losses on the resale of vehicles coming off performing lease agreements, amounts charged to or recovered from allowances for risks on residual values, and gains or losses resulting from damage to vehicles less any corresponding insurance settlements, are recorded under "Other income related to banking operations" and "Other expenses related to banking operations".

Identifying credit risk

The RCI Banque group currently uses a number of different internal rating systems:

- A group-wide rating for borrowers in the Dealer segment, which is used during the various phases of the relationship with the borrower (initial approval, risk monitoring, provisioning),
- A group-wide rating for bank counterparties, which is established on the basis of external ratings and each counterparty's level of capital,
- For "Customer" borrowers, different acceptance scoring systems are used; these vary by affiliate and by type of financing.

Whenever the full or partial collection of a receivable is in doubt, that receivable is classified in one of the following two categories:

- Doubtful loans: a receivable is classified as doubtful not later than when installments remain unpaid for more than three months. When a receivable is classified as doubtful, the full amount of credit outstanding to the customer concerned is transferred to the doubtful loan category.
- Compromised loans: a receivable is classified as compromised when the counterparty is declared to have defaulted on a loan or when a lease agreement is terminated due to deterioration in the counterparty's financial position. If there is no formal default or termination, the receivable is transferred to this category no later than one year after it was classified as doubtful.

Because local management practices vary, default and termination do not occur at the same point in time in the different countries where the RCI Banque group operates. However, local practices do converge to a certain extent within the major geographical regions:

- Northern Europe: default or termination generally occurs within the three to four month period following the first unpaid installment,
- Southern Europe: default or termination generally occurs within the six to eight month period following the first unpaid installment,
- South America: default or termination generally occurs within the six to eight month period following the first unpaid installment.

A doubtful loan is reclassified as a performing loan once all overdue amounts have been paid.

Forborne exposures

The RCI Banque group uses the definition given by the European Banking Authority (EBA) in its ITS (Implementing Technical Standards) 2013/03 rev1 of 24.07.2014 to identify its forborne exposures (restructured loans).

Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

It thus refers to cases where there is:

- a modification of the terms and conditions of a contract in order to give the customer in financial difficulties the chance to meet their commitments (such as a change to the number of repayments, extension of term, change to installment amount, change to customer interest rate),
- a total or partial refinancing of a troubled debt contract (instead of terminating it) that would not have been granted had the customer not been in financial difficulties.

The classification of contracts as forborne exposures is separate from provisioning (for example, a contract that is forborne and returns to being considered as performing will not be provisioned and yet will be classified as a forborne exposure throughout the probation period).

Receivables whose characteristics have been commercially renegotiated with counterparties not in financial difficulties are not identified as forborne exposures.

The definition of forborne exposure is applied at the level of the individual contract ("facility") that is forborne, and not at the level of the third party (no contagion principle).

Financial difficulties however, are assessed at the debtor level.

The forbearance classification of a contract is discontinued when all of the following conditions are met:

- The contract is considered as performing and analysis of the financial condition of the debtor shows that they have recovered their creditworthiness and debt service ability,
- A minimum 2-year probation period has passed from the date the forborne exposure returned to being considered as performing,
- Regular and significant payments have been made by the debtor during at least half of the probation period,
- None of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

If a contract currently considered as performing but previously classified as forborne again benefits from forbearance measures (such as an extension of term) or if any of the exposures to the debtor is more than 30 days past-due, it must be re-classified as a forborne exposure.

Impairment for credit risk

Impairment allowances are established to cover risks of non-recovery. The amount of these allowances is determined on an individual basis (either case by case or via statistical risk analysis), or on a collective basis. These impairment allowances are recorded on the asset side of the balance sheet as deductions from the asset items with which they are associated.

Customer lending

A statistical approach on an individual basis is applied on loans to Customers. The aim is to estimate ultimate losses on doubtful loans, compromised loans and loans with missed or late payments. Customer loans are grouped into risk classes representative of the type of financing and goods financed.

The projected cash flows used for the statistical estimation of impairment are calculated by applying a periodic recovery factor based on the age of the receivable to the amount owed at the time of default. Recovery cash flows are projected over several years, and the last flow at the end of the period represents a lump-sum value of recoveries beyond that period. The recovery factors used are based on the observation of actual collections, smoothed over a twelve-month period.

The impairment allowance for doubtful loans is calculated by comparing the estimated recoverable value, which consists of the discounted projected collections, with the carrying value of the loans concerned. Bearing in mind the statistical nature of the method used to measure projected collections, the estimated recoverable value is not calculated individually for each loan, but on a collective basis for a given generation of loans.

Impairment charges on loans that are overdue but not doubtful are determined as a function of the probability that the loans will be reclassified as doubtful and the recovery factor that will apply if they are. This is "incurred loss", the established fact being a default on payment under 3 months.

Receivables that are delinquent and doubtful are monitored on a case by case basis. In the event that the individual approach is not appropriate, then impairment is determined statistically according to classification of the debtor companies and the stage reached in collection or other proceedings.

As soon as a financial asset or group of similar financial assets has been impaired following a loss in value, any later interest income items are recognized on the basis of the interest rate used to discount future cash flows in order to measure loss in value.

Dealer financing

Impairment allowances for credit risks on dealer financing are determined according to three types of receivable: delinquent, doubtful and performing. The factors and events triggering classification of a receivable as one of the aforementioned types and the principle used to determine impairment allowances are described hereafter.

A collective impairment allowance is determined for non-doubtful receivables (delinquent or performing) either by means of a statistical approach (last three years' history) or by means of an internal expert appraisal validated by the group Committee of Dealer Risk Experts, chaired by members of the Executive Board. Classification of a receivable as delinquent is triggered by such factors and events as a deterioration in the borrower's financial condition, a loss of profitability, erratic payment, or an inventory control anomaly.

Impairment allowances for doubtful receivables are determined individually and on a case-by-case basis, according to product outstandings (new vehicle, used vehicle, spare parts, cash, etc.) and to whether the debtor party has been classified as having pre-alert or alert status, and after a continued and critical deterioration of the abovementioned indicators by RCI Banque group line staff.

As regards non-doubtful and non-delinquent receivables that are therefore classified as performing receivables, collective impairment allowances based on the credit risks and systemic risks for each country assessed are made.

The impaired amounts are determined on the basis of the technical and segment parameters of the performing portfolio and are specific to each country. Impairment allowances for performing dealer financing assets that are recognized or reversed as systemic risks are combined under the "cost of dealer risk" item for the affiliates concerned in the consolidated income statement.

Country risk

Allowances for country risk are determined on the basis of the credit risk to which debtors in a country experiencing a continued and persistent deterioration in its economic situation are exposed.

Such allowances for impairment of assets are made for any non-euro zone country whose sovereign rating (Standard and Poor's) is lower than BBB+. With regard to the RCI Banque group's current portfolio, the following countries are concerned by this: Argentina, Brazil, Morocco and Romania.

The calculation consists in applying a projected default rate and a loss-given-default rate to non-current financing assets unimpaired on an individual basis and by country, but only with respect to outstandings from the Customer business. Dealer financing assets are already incorporated into impairment allowances for the dealer business on a similar calculation basis.

The projected default rate used depends on the residual term of the portfolio, the country's rating and the geographical area in which it is located (Emerging countries, Europe, North America). This default rate is an indicator of the probability of default (PD) of companies in the country concerned. The RCI Banque group uses the rates published by S&P for emerging countries and estimated on a historical basis using the period between 1996 and 2015. The loss-given-default (LGD) rate refers to that of Brazil and is calculated on a 12-month mean basis by internal expert appraisal according to the trend observed for the countries concerned. Should it prove necessary to take the particular situation of one or more countries into account, expert judgment approved internally beforehand is used.

On the balance sheet, impairment allowances for country risk are booked as deductions from the carrying value of loans and advances to customers. Such impairment allowances that are recognized or reversed as systemic risks are combined under the RCI Banque S.A. "Cost of Risk" item in the consolidated income statement.

Rules for writing off loans

When a receivable has presented an established risk for a period of three years and there is no evidence suggesting that it will ever be collected, the amount of the impairment allowance is reversed and the gross amount outstanding is transferred to receivables written off.

Impairment of residual values

The RCI Banque group regularly monitors the resale value of used vehicles across the board so as to optimize the pricing of its financing products.

In most cases, tables of quoted prices showing typical residual values based on vehicle age and mileage are used to determine the residual value of vehicles at the end of the contract term.

However, for contracts under which the trade-in value of the vehicle at the end of the contract term is not guaranteed by a third party outside the RCI Banque group, an impairment allowance is determined by comparing:

a) the economic value of the contract, meaning the sum of future cash flows under the contract plus the re-estimated residual value at market conditions on the measurement date, all discounted at the contract interest rate;

b) the carrying value on the balance sheet at the time of the measurement.

The projected resale value is estimated by considering known recent trends on the used vehicle market, which may be influenced by external factors such as economic conditions and taxation, and internal factors such as changes in the model range or a decrease in the car maker's prices.

The impairment charge is not offset by any profit on resale.

F) OPERATING LEASES (IAS 17)

In accordance with IAS 17, the RCI Banque group makes a distinction between finance leases and operating leases.

The general principle that the RCI Banque group uses to classify leases as one or the other is whether the risks and rewards incidental to ownership are transferred to another party. Thus, leases under which the leased vehicle will be bought back by an RCI Banque group entity at the end of the lease are classified as operating leases since most of the risks and rewards are not transferred to a third party outside the group. The classification as operating leases of lease contracts that contain a buy-back commitment from the RCI Banque group also takes into account the estimated term of such leases. This lease term is far shorter than the economic life of the vehicles, which is put by the Renault Group at an estimated seven or eight years, depending on the type of vehicle. Consequently, all leases with this buy-back clause are treated as operating leases.

The classification of battery leases for electric vehicles as operating leases is justified by the fact that the RCI Banque group retains the risks and rewards incidental to ownership throughout the automobile life of the batteries, which is put at between eight and ten years, and so is much longer than the lease agreements.

Operating leases are recognized as non-current assets leased out and are carried on the balance sheet at the gross value of the assets less depreciation, plus lease payments receivable and transaction costs still to be staggered. Lease payments and impairment are recognized separately in the income statement in "Net income (expense) of other activities". Depreciation does not take into account residual values and is taken into the income statement on a straight line basis, as are transaction costs. Classification as an operating lease does not affect the assessments of counterparty risk and residual value risk.

Income from the resale of vehicles at the end of operating lease contracts is included in "Net income (or expense) of other activities".

G) TRANSACTIONS BETWEEN THE RCI BANQUE GROUP AND THE RENAULT-NISSAN ALLIANCE

Transactions between related parties are conducted following terms equivalent to those prevailing in the case of transactions subject to conditions of normal competition if these terms can be substantiated.

The RCI Banque group helps to win customers and build loyalty to Renault-Nissan Alliance brands by offering financing and providing services as an integral part of the Alliance's sales development strategy.

The main indicators and cash flows between the two entities are as follows:

Sales support

At 31 December 2016, the RCI Banque group had provided €17,984m in new financing (including cards) compared with €15,662m at 31 December 2015.

Relations with the dealer network

The RCI Banque group acts as a financial partner to ensure and maintain the sound financial health of the Renault-Nissan Alliance distribution networks.

At 31 December 2016, dealer financing net of impairment allowances amounted to €10,067m against €8,040m at 31 December 2015.

At 31 December 2016, direct financing of Renault Group subsidiaries and branches amounted to €747m against €628m at 31 December 2015.

At 31 December 2016, the dealer network had collected, as a business contributor, income of €645m against €489m at 31 December 2015.

Relations with the car makers

The RCI Banque group pays the car maker for vehicles delivered to dealers for which it provides financing.

Conversely, at the end of the contract, the Renault Group pays the RCI Banque group for vehicles taken back under financial guarantees made by the car maker. These transactions generate substantial cash flows between the two groups.

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the RCI Banque group.
At 31 December 2016, this contribution amounted to €474m against €431m at 31 December 2015.

H) RECOGNITION AND MEASUREMENT OF THE SECURITIES PORTFOLIO (IAS 39)

RCI Banque's portfolio of securities is classified according to the financial asset categories specified in IAS 39.

Securities held for trading purposes

These are securities intended to be sold in the very near future or held for the purpose of realizing capital gains.

These securities are measured at fair value (including accrued interest), and changes in value are recognized in the income statement.

Securities available for sale

By default, this category ("AFS securities") includes all securities that are not intended to be held to maturity and that are not held for trading purposes.

These securities are measured at fair value (including accrued interest), and changes in value (excluding accrued interest) are recognized directly in equity under a revaluation reserve. Accrued interest is recognized in the income statement. If there is an objective indication of the impairment of these securities, such as payment default, the increasing probability of borrower bankruptcy, or the disappearance of an active market, the aggregate loss that has been recorded directly under equity must be removed from equity and recognized in the income statement.

I) NON-CURRENT ASSETS (IAS 16/ IAS 36)

Non-current assets are carried and depreciated using the components approach. The components of an asset item, especially a complex asset, are treated as separate assets if their characteristics or useful lives are different, or if they generate economic benefits at different rates.

Property, plant and equipment is measured at historical acquisition cost less accumulated depreciation and impairment losses, if any.

Non-current assets other than land are generally depreciated on a straight-line basis over the following estimated useful lives:

- Buildings	**15 to 30 years**
- Other tangible non-current assets	**4 to 8 years**

J) INCOME TAXES (IAS 12)

The restatements of the annual financial statements of companies included in the scope of consolidation, made to bring them into line with IAS standards for financial reporting purposes, and the tax deferrals allowed in the statutory statements filed for tax purposes, give rise to timing differences in the recognition of income for tax and financial reporting purposes. A timing difference is also recognized whenever the book value of an asset or liability differs from its value for tax purposes.

These differences give rise to the recognition of deferred taxes in the consolidated financial statements. Under the liability method used by RCI Banque, deferred tax expense is calculated by applying the last tax rate in effect at the closing date and applicable to the period in which the timing differences will be reversed. Within a given taxable entity (company, establishment, or tax consolidation group), deferred tax assets and liabilities are presented on a net basis whenever the entity is entitled to offset its tax receivables against its tax payables. Deferred tax assets are written down whenever their utilization is unlikely.

For fully consolidated companies, a deferred tax liability is recognized for taxes payable on advance dividend distributions by the group.

K) PENSION AND OTHER POST-EMPLOYMENT BENEFITS (IAS 19)

Overview of plans

The RCI Banque group uses different types of pension and post-employment benefit plans:

• ***Defined benefit plans:***

Charges are booked to provisions for these plans to cover:

- Indemnities payable upon retirement (France),
- Supplementary pensions: the main countries using this type of plan are the United Kingdom, the Netherlands and Switzerland.
- Mandated savings plans: this type of plan is used in Italy.

Defined-benefit plans are in some cases covered by funds. Such funds are subject to periodic actuarial valuation by independent actuaries. The value of such funds, if any, is deducted from the corresponding liability.

The RCI Banque group affiliates that use external pension funds are RCI Financial Services Ltd, RCI Financial Services BV and RCI Finance S.A.

• ***Defined contribution plans:***

In accordance with the laws and practices of each country, the group makes salary-based contributions to national or private institutions responsible for pension plans and provident schemes.

Such plans and schemes release the group from any later obligations, as the national or private institution is responsible for paying employees the amounts owed to them. Payments by the group are booked as expenses for the period to which they refer.

Valuation of liabilities for defined benefit plans

With respect to defined-benefit plans, the costs of post-employment benefits are estimated using the projected unit credit method. Under this method, benefit rights are allocated to periods of service according to the plan's vesting formula, taking into account a linearizing effect when rights are not vested uniformly over subsequent periods of service.

The amounts of future benefits payable to employees are measured on the basis of assumptions about salary increases, retirement age and mortality, and then discounted to their present value at a rate based on interest rates on the long-term bonds of top-grade issuers and on the estimated average term of the plan measured.

Actuarial gains or losses resulting from revision of the assumptions used in the calculation and experience-related adjustments are recognized as items of other comprehensive income.

The net expense of the period, corresponding to the sum of the cost of services rendered plus any past service costs, and to the cost of accretion of provisions less the return on plan assets is recognized in the income statement under personnel expenses.

Details by country are given in the notes to the balance sheet.

L) TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The presentation currency used by the group is the euro.

As a general rule, the functional currency used by foreign companies is their local currency. In cases where the majority of transactions are conducted in a currency other than the local currency, that currency is used.

To ascertain whether a country is in hyperinflation, the group refers to the list published by the AICPA's (American Institute of Certified Public Accountants) International Task Force. None of the countries in which RCI Banque does any significant amount of business features on this list.

The financial statements of the group's foreign companies are drawn up in their functional currency, and then translated into the group's presentation currency as follows:

- Balance sheet items other than equity, which are held at the historic exchange rate, are translated at closing exchange rates;
- Income statement items are translated at the average rate for the period, said rate being used as an approximation applied to underlying transactions, except in the event of significant fluctuations;

- Translation adjustments are included as a separate component of consolidated equity and do not affect income.

Goodwill and measurement differences realized when combining with a foreign company are treated as assets and liabilities of the acquired entity.

When a foreign company is disposed of, the translation differences in its assets and liabilities, previously recognized in equity, are recognized in the income statement.

M) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions made by an entity in a currency other than its functional currency are translated and booked in the functional currency at the rate in effect on the date such transactions are made.

On the statement closing date, cash assets and liabilities in currencies other than the entity's functional currency are translated at the exchange rate in effect on that date. Gains or losses from such foreign currency translation are recorded in the income statement.

N) FINANCIAL LIABILITIES (IAS 39)

The RCI Banque group recognizes financial liabilities consisting of bonds and similar obligations, negotiable debt securities, securities issued as part of securitization transactions, amounts owed to credit institutions and savings deposits from customers.

Any issuance costs and premiums on financial liabilities are amortized on an actuarial basis over the term of the issue according to the effective interest rate method.

When first recognized, financial liabilities are measured at fair value net of transaction costs directly attributable to their issuance.

At each closing, financial liabilities are measured at amortized cost using the effective interest rate method, except when specific hedge accounting procedures are applicable. The financial expenses calculated in this way include issuance costs and issue or redemption premiums.

Financial liabilities covered by a fair value hedge are accounted for as described in: Derivatives and hedge accounting (IAS 39).

The group's medium-term and long-term issuance programs do not feature any clauses that might lead to acceleration of maturity of the debt.

O) STRUCTURED PRODUCTS AND EMBEDDED DERIVATIVES (IAS 39)

The group engages in a small number of structured transactions. These issues are hedged by derivatives so as to neutralize the embedded derivative and thereby obtain a synthetic adjustable-rate liability.

The only embedded derivatives identified within the RCI Banque group correspond to indexing clauses contained in structured bond issues. When embedded derivatives are not closely related to the host contract, they are measured and recognized separately at fair value. Changes in fair value are then recognized in the income statement. The structured issue with the embedded derivative extracted, i.e. the host contract, is measured and recognized at amortized cost.

Structured issues are associated with swaps of assets, whose characteristics are strictly identical to those of the embedded derivative, thereby providing an effective economic hedge. However, because the use of one derivative to hedge another derivative is prohibited by IAS 39, embedded derivatives that are separated from the host contract and swaps associated with structured issues are accounted for as if held for trading purposes.

P) DERIVATIVES AND HEDGE ACCOUNTING (IAS 39)

Risks

The RCI Banque group's management of financial risks (interest-rate risk, currency risk, counterparty risk and liquidity risk) is described in the "Financial risks" appendix of this document.

The RCI Banque group enters derivative contracts as part of its currency and interest-rate risk management policy. Whether or not these financial instruments are then accounted for as hedging instruments depends on their eligibility for hedge accounting.

The financial instruments used by RCI Banque can be classified as fair value hedges or cash flow hedges. A fair value hedge protects against changes in the fair value of the assets and liabilities hedged. A cash flow hedge protects against changes in the value of cash flows associated with existing or future assets or liabilities.

Measurement

Derivatives are measured at fair value when first recognized. Subsequently, fair value is re-estimated at each closing date.

In accordance with IFRS 13 "Fair Value Measurement", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At initial recognition in the accounts, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (exit price).

- The fair value of forward currency agreements and currency swaps is determined by discounting cash flows at market interest rates and exchange rates at the closing date. It also incorporates the measurement of interest rate and currency swap "base" effects.
- The fair value of interest-rate derivatives represents what the group would receive (or would pay) to unwind the running contracts at the closing date, taking into account unrealized gains or losses as determined by current interest rates at the closing date.

Credit adjustment

An adjustment is booked on the valuation of OTC derivative portfolios, excluding those cleared by a CCP, for counterparty credit risk (or CVA, Credit Valuation Adjustment) and own credit risk (or DVA, Debt Valuation Adjustment).

Exposure (EAD - Exposure At Default) is approximated by the mark-to-market (MTM) plus or minus an add-on, representing potential future risk and taking into account netting agreements with each counterparty. This potential future risk is estimated using the standard method recommended by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 274 on capital adequacy requirements applicable to credit institutions and investment companies).

Loss Given Default (LGD) is estimated by default at 60%.

Probability of default (PD) is the probability of default associated with each counterparty's CDS (Credit Default Swaps). In certain countries, if this information is unavailable, the approximated probability of default is that of the counterparty's country.

Fair value hedge

RCI Banque has elected to apply fair value hedge accounting in the following cases:

- hedging interest-rate risk on fixed rate liabilities using a receive fixed/pay variable swap or cross currency swap;
- hedging foreign exchange risk on foreign currency assets or liabilities using a cross currency swap.

Fair value hedge accounting is applied on the basis of documentation of the hedging relation at the date of implementation and of the results of fair value hedge effectiveness tests, which are performed at each balance sheet date.

Changes in the value of fair value hedging derivatives are recognized in the income statement.

For financial liabilities covered by a fair value hedge, only the hedged component is measured and recognized at fair value, in accordance with IAS 39. Changes in the value of the hedged component are recognized in the income statement. The unhedged component of these financial liabilities is measured and recognized at amortized cost.

If the hedging relationship is terminated before the end of its term, the hedging derivative is classified as an asset or liability held for trading purposes and the item hedged is recognized at amortized cost in an amount equal to its last fair value measurement.

Cash flow hedge

RCI Banque has elected to apply cash flow hedge accounting in the following cases:

- Hedging interest-rate risk on variable rate liabilities using a receive/pay fixed swap, enabling them to be backed by fixed rate assets (macro-hedge from the economic perspective);
- Hedging future or probable cash flows in foreign currency.

Cash flow hedge effectiveness tests are performed at each balance sheet date to ensure that the relevant transactions are eligible for hedge accounting. For the second type of hedging, the test performed entails ascertaining that interest-rate exposure on the cash flows from reinvestment of non-derivative financial assets is indeed reduced by the cash flows from the derivatives used for hedging.

Changes in the value of the effective part of cash flow hedging derivatives are recognized in equity, in a special revaluation reserve account.

Trading transactions

This line item includes transactions not eligible for hedge accounting under IAS 39 and currency hedging transactions to which the RCI Banque group has preferred not to apply hedge accounting.

Changes in the value of these derivatives are recognized in the income statement.

These transactions mainly include:

- foreign exchange transactions with an initial maturity of less than one year,
- identified embedded derivatives that are part of the group's structured issues, and the associated swaps,
- swaps contracted in connection with securitization transactions,
- variable/pay variable swaps in a given currency to hedge interest-rate risk on variable-rate issues.

Q) OPERATING SEGMENTS (IFRS 8)

Segment reporting is presented in the annual financial statements in accordance with IFRS 8 "Operating Segments".

RCI Banque is tasked with offering a comprehensive range of financing products and services to its two core markets: end Customers (Retail and Corporate) and the Renault, Nissan, Dacia, Samsung and Datsun brands Dealer network. These two segments have different expectations, needs and demands, and so each require a specific approach in terms of marketing, management processes, IT resources, sales methods and communication. Adjustments have been made to the group's organization to make it consistent with these two types of customer, to strengthen its management and support role and to increase its integration with Renault and Nissan, especially with respect to sales and marketing aspects.

In accordance with IFRS 8, segmentation by market has therefore been adopted as the operating segmentation method. This is in line with the strategic focus developed by the company. The information presented is based on internal reports sent to the group Executive Committee, identified as the "chief operating decision maker" under IFRS 8.

A breakdown by market is thus provided for the main income statement as well as for average performing loan outstandings in the corresponding periods.

Since 1 January 2009, as decided by the Executive Committee, the formerly separate Retail and Corporate segments have been consolidated into the single "Customer" segment. The breakdown of operating segments as required by IFRS 8 has followed the same segmentation.

The Dealer segment covers financing granted to the Renault-Nissan Alliance Dealer network.

The Customer segment covers all financing and related services for all customers other than Dealers.

Results are presented separately for each of these two market segments.

Refinancing and holding activities are grouped together under "Other activities".

Renault, Nissan, Dacia, Samsung and Datsun sales financing activities have been combined.

Business	Retail customers	Dealer network
Lending	✓	✓
Finance lease	✓	NA
Operating lease	✓	NA
Services	✓	NA

R) INSURANCE

The accounting policies and measurement rules specific to assets and liabilities generated by insurance contracts issued by consolidated insurance companies are established in accordance with IFRS 4.

Other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities, and are presented in the same balance sheet and consolidated income statement items.

Technical liabilities on insurance contracts:

- Reserve for unearned premiums (non-life insurance): Technical reserves for unearned premiums are equivalent to the portion of the premiums relating to the period between the inventory date and the following endowment date. They are calculated by policy on a prorata daily basis.
- Policy reserves (life insurance): These are intended to cover the long-term obligations (or payment of benefits) resulting from the commitments given, and the costs of managing such contracts. They are calculated by policy on a prorata daily basis.
- Reserve for outstanding claims: the reserve for outstanding claims represents the estimation, net of outstanding recoveries, of the cost of all claims reported but not yet settled at the closing date. Outstanding claim reserve are calculated by claim file based on reserving rules set according to the insurance benefit definition.
- IBNR (Incurred But Not Reported) claim reserves: these are reserves for claims not yet reported. They are calculated according to an actuarial method (method type: "chain ladder"), where the ultimate claim charge is estimated from a statistical analysis of the payments development on past claim history. These estimations are performed in "Best Estimate", adding a calibrated prudential margin so that IBNR reserves are still sufficient even in case of a possible future adverse deviation in claim (not extreme shocks).

The guarantees offered cover death, disability, redundancy and unemployment as part of a loan protection insurance policy. These types of risk are controlled through the use of appropriate mortality tables, statistical checks on loss ratios for the population groups insured and through a reinsurance program.

Liability adequacy test: a goodness-of-fit test aimed at ensuring that insurance liabilities are adequate with respect to current estimations of future cash flows generated by the insurance contracts is performed at each statement of account. Future cash flows resulting from the contracts take into account the guarantees and options inherent therein. In the event of inadequacy, the potential losses are fully recognized in net income.

Income statement:

The income and expenses recognized for the insurance contracts issued by the RCI Banque group appear in the income statement in “Net income of other activities” and “Net expense of other activities”.

4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

In a mixed economic environment, RCI Banque continues to implement a prudent financial policy and reinforces its liquidity management and control system.

Liquidity

RCI Banque pays great attention to diversifying its sources of access to liquidity. Since the start of the financial crisis, the company has largely diversified its sources of funding. In addition to its traditional bond investor base in euros, new investment areas have also been successfully worked. By extending the maximum maturities of its issues in Euros to seven years, new investors looking for longer-term assets have been reached. The group has also moved into bond markets in numerous currencies (USD, GBP, CHF, BRL, ARS, KRW, MAD, etc.), to fund European assets and support growth outside Europe.

Recourse to funding through securitization transactions in private and public format also helps to expand the investor base.

The retail savings business, launched in February 2012 and now rolled out in four countries, has added to diversification of the company's sources of funding and helped it to adjust to the liquidity requirements arising from Basel 3 standards.

Oversight of RCI Banque's liquidity risk is based on the following components:

- Risk appetite: This component is determined by the Board of Directors' Risk Committee.
- Refinancing: The funding plan is constructed with a view to diversifying access to liquidity by product, by currency and by maturity. Funding requirements are regularly reviewed and clarified so that the funding plan can be adjusted accordingly.
- Liquidity reserve: The company's aim is to have available at all times a liquidity reserve consistent with its appetite for liquidity risk. The liquidity reserve consists of cash, High Quality Liquid Assets (HQLA), financial assets, assets eligible as collateral in European Central Bank monetary policy transactions and confirmed lines of credit. It is reviewed every month by the Finance Committee.
- Transfer prices: Refinancing for the group's European entities is mainly delivered by the Group Finance and Treasury Division, which centralizes liquidity management and pools costs. Internal liquidity costs are reviewed at regular intervals by the Finance Committee and are used by sales subsidiaries to construct their pricing.
- Stress scenarios: Every month, the Finance Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.
- Emergency plan: An established emergency plan identifies the steps to be taken in the event of stress on the liquidity position.

Credit business risk

By using the Probability of Default derived from scoring systems to manage new gross lending, portfolio quality across all major markets was maintained.

As the economic outlook remained uncertain, the centralized oversight of the approval policy introduced at the start of the crisis was maintained. Acceptance systems are adjusted according to stress tests updated quarterly for the main countries per market (retail customers, corporate customers). All in all, the quality of gross lending is in line with the objectives set.

In a constantly changing environment, RCI Banque's aim is to maintain overall credit risk at a level compatible with the expectations of the financial community and profitability targets.

Profitability

RCI Banque regularly reviews the costs of internal liquidity used to price customer transactions, thereby maintaining a margin on new lending in line with budget targets. Similarly, the pricing of financing granted to dealers is indexed on an internal base rate reflecting the cost of borrowed resources and liquidity cushions needed for business continuity. This method maintains a steady return for this business.

Governance

Liquidity indicators are the subject of particular scrutiny at each monthly financial committee meeting. The country management committees also monitor risk and instant projected margin indicators more systematically, thereby supplementing the routine assessments of subsidiary profitability

Exposure to non-commercial credit risk

Exposure to bank counterparty risk mainly arises from the investment of temporary cash surpluses as short-term deposits, and from interest-rate or forex hedging with derivatives.

Such transactions are made with first-class banks approved beforehand by the Counterparty Committee. RCI Banque pays close attention to diversifying its counterparties.

To meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque now invests in liquid assets as defined in the European Commission's Delegated Act. These liquid assets mainly consist of deposits with the European Central Bank and securities issued by governments or supranational European issuers held directly. The duration of this portfolio is less than one year.

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

5. REFINANCING

In 2016, RCI Banque made five bond issues in public format, for a total amount of €3,350 million. The first, a three-year €500 million bond, posted a floating rate coupon. The following four, a seven-year €600 million bond, a three-year €750 million bond, a seven-year €750 million bond and a five-year €750 million bond, were issued at fixed rates. The success of both seven-year issues, a long maturity used for the first time in 2014, helped to diversify the group's investor base and shows that investors are confident in the strength of the company.

At the same time, a number of two to three-year private placements were also made, for a total of €1.1 billion. RCI Banque also carried out a public securitization transaction backed by German auto loans, of which €500 million were placed with investors. This transaction replaced one dating back to December 2013 and being amortized since end-2014. This combination of maturities, types of coupon and issue formats is part of the strategy implemented by the group for a number of years to diversify its sources of funding and reach out to as many investors as possible.

Outside Europe, the group's entities in Brazil, South Korea, Morocco and Argentina also tapped their domestic bond markets.

Retail customer deposits increased €2.3 billion over the year to €12.6 billion at 31 December 2016, representing 33% of outstandings, in line with the company's goal of collecting retail deposits equivalent to one third of the financing granted to its customers.

These resources, to which should be added, based on the European scope, €4.1 billion of undrawn committed credit lines, €2.6 billion of assets eligible as collateral in ECB monetary policy operations, €1.3 billion of high quality liquid assets (HQLA) and €0.3 billion of short term financial assets, enable RCI Banque to maintain the financing granted to its customers for more than 10 months without access to external sources of liquidity.

6. REGULATORY REQUIREMENTS

In accordance with the prudential banking regulations transposing EU Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and EU Regulation 575/2013 into French law, the RCI Banque group is subject to compliance with the solvency ratio and liquidity ratios, risk division ratio and balance sheet balancing (leverage ratio).

The ratios calculated in 2016 do not show any non-compliance with the regulatory requirements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SEGMENT INFORMATION

1.1. SEGMENTATION BY MARKET

In millions of euros	Customer	Dealer financing	Other	Total 12/2016
Average performing loan outstandings	24,629	8,077		32,706
Net banking income	1,108	227	137	1,472
Gross operating income	759	185	65	1,009
Operating income	672	168	65	905
Pre-tax income	672	168	72	912

In millions of euros	Customer	Dealer financing	Other	Total 12/2015
Average performing loan outstandings	21,363	6,885		28,248
Net banking income	1,064	199	99	1,362
Gross operating income	738	161	34	933
Operating income	654	152	34	840
Pre-tax income	654	152	38	844

A breakdown by market is provided for the main income statement as well as for average performing loan outstanding in the corresponding periods.

At the Net Banking Income level, given that most of the RCI Banque group's segment income comes from interest, the latter are shown net of interest expenses.

The earnings of each business segment are determined on the basis of internal or fiscal analytical conventions for intercompany billing and valuation of funds allocated. The equity allocated to each business segment is the capital effectively made available to the affiliates and branches and then divided among them according to internal analytical rules.

Average performing loan outstanding is the operating indicator used to monitor outstandings. As this indicator is the arithmetic mean of outstandings, its value therefore differs from the outstandings featuring in the RCI Banque group's assets, as presented in Notes 5 and 6: Customer finance transactions and similar/Customer finance transactions by business segment.

1.2. SEGMENTATION BY GEOGRAPHIC REGION

In millions of euros	Year	Net Loans outstandings at year-end (1)	Of which Customers outstandings at year-end	Of which Dealers outstandings at year-end
Europe	**2016**	**33,934**	**24,408**	**9,526**
	2015	28,182	20,609	7,573
of which Germany	**2016**	**5,871**	**4,402**	**1,469**
	2015	4,788	3,688	1,100
of which Spain	**2016**	**3,426**	**2,656**	**770**
	2015	2,568	2,409	519
of which France	**2016**	**11,632**	**8,253**	**3,379**
	2015	10,185	7,195	2,990
of which Italy	**2016**	**4,251**	**3,156**	**1,095**
	2015	3,199	2,418	781
of which United-Kingdom	**2016**	**4,548**	**3,635**	**913**
	2015	4,276	3,440	836
of which other countries(2)	**2016**	**4,206**	**2,306**	**1,900**
	2015	3,166	1,819	1,347
Asia Pacific - South Korea	**2016**	**1,400**	**1,389**	**11**
	2015	1,161	1,144	17
America	**2016**	**2,377**	**1,925**	**452**
	2015	1,999	1,617	382
of which Argentina	**2016**	**379**	**289**	**90**
	2015	229	189	40
of which Brazil	**2016**	**1,998**	**1,636**	**362**
	2015	1,770	1,428	342
Africa, Middle East, India	**2016**	**389**	**321**	**68**
	2015	338	275	63
Eurasia	**2016**	**159**	**149**	**10**
	2015	104	99	5
Total RCI Banque group	**2016**	**38,259**	**28,192**	**10,067**
	2015	31,784	23,744	8,040

(1) Inccluding operating lease business
(2) Belgium, Netherlands, Switzerland, Austria, Scandinavian countries, Poland, Czech Republic, Hungary, Slovenia, Ireland, Portugal

Income from external customers is allocated to the different countries according to the home country of each of the entities. Each entity actually only books income from customers residing in the same country as that entity.

NOTE 2: DERIVATIVES

In millions of euros	12/2016		12/2015	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**48**	**39**	**48**	**32**
Interest-rate derivatives	2			1
Currency derivatives	46	37	48	27
Other derivatives		2		4
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**190**	**58**	**326**	**36**
Interest-rate and currency derivatives: Fair value hedges	179	14	292	23
Interest-rate derivatives: Cash flow hedges	11	44	34	13
Total derivatives	**238**	**97**	**374**	**68**
(*) Of which related parties	*10*		*4*	

"Other derivatives" includes the adjustment for credit risk of -€2.3m at 31 December 2016, which breaks down into an income of €0.1m for the DVA and an expense of -€2.4m for the CVA.

These line items mainly include OTC derivatives contracted by the RCI Banque group as part of its currency and interest-rate risk hedging policy.

The transactions that give rise to entries under this heading are described in the accounting rules and methods in the following paragraphs: "Financial liabilities (IAS 39)" and "Derivatives and hedge accounting (IAS 39)".

Changes in the cash flow hedging instrument revaluation reserve

In millions of euros	Cash flow hedging	Schedule for the transfer of the CFH reserve account to the income statement		
		<1 year	1 to 5 years	+5 years
Balance at 31 December 2014	**3**	**(1)**	**4**	
Changes in fair value recognized in equity	(6)			
Transfer to income statement	9			
Balance at 31 December 2015	**6**	**3**	**3**	
Changes in fair value recognized in equity	(27)			
Transfer to income statement	11			
Balance at 31 December 2016	**(10)**	**(6)**	**(4)**	

With respect to cash flow hedging, the above table shows the periods during which RCI Banque expects cash flows to intervene and affect the income statement.

Changes in the cash flow hedging reserve result from changes in the fair value of the hedging instruments carried in equity, and from the transfer of the period to the income statement at the same rate as the item hedged.

Nominal values of derivative instruments by maturity and management intent

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2016	*Related parties*
Hedging of currency risk					
• *Forward forex contracts*					
Sales	1,557			1,557	
Purchases	1,559			1,559	
• *Spot forex transactions*					
Loans	1			1	
Borrowings	1			1	
• *Currency swaps*					
Loans	343	823		1,166	*221*
Borrowings	333	717		1,050	*210*
Hedging of interest-rate risk					
• *Interest rate swaps*					
Lender	5,710	6,535	1,650	13,895	
Borrower	5,710	6,535	1,650	13,895	

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2015	*Related parties*
Hedging of currency risk					
• *Forward forex contracts*					
Sales	2,215			2,215	
Purchases	2,224			2,224	
• *Spot forex transactions*					
Loans	12			12	
Borrowings	12			12	
• *Currency swaps*					
Loans	694	863		1,557	*108*
Borrowings	606	769		1,375	*130*
Hedging of interest-rate risk					
• *Interest rate swaps*					
Lender	3,345	6,443	900	10,688	
Borrower	3,345	6,443	900	10,688	

NOTE 3: FINANCIAL ASSETS AVAILABLE FOR SALE AND OTHER FINANCIAL ASSETS

In millions of euros	12/2016	12/2015
Financial assets available for sale	**929**	**635**
Government debt securities and similar	521	411
Variable income securities	109	103
Bonds and other fixed income securities	299	121
Other financial assets	**26**	**8**
Interests in companies controlled but not consolidated	26	8
Total financial assets available for sale and other financial assets (*)	**955**	**643**
(*) Of which related parties	*26*	*8*

NOTE 4: AMOUNTS RECEIVABLE FROM CREDIT INSTITUTIONS

In millions of euros	12/2016	12/2015
Credit balances in sight accounts at credit institutions	**810**	**650**
Ordinary accounts in debit	773	626
Overnight loans	36	24
Accrued interest	1	
Term deposits at credit institutions	**214**	**201**
Term loans	214	199
Reverse repurchase agreement or bought outright		1
Accrued interest		1
Total amounts receivable from credit institutions(*)	**1,024**	**851**
(*) Of which related parties	*210*	*130*

Credit balances in sight accounts are included in the “Cash and cash equivalents” line item in the cash flow statement.

Current bank accounts held by the FCTs (Fonds Commun de Titrisation) contribute in part to the funds' credit enhancement. They totaled €477m at year-end 2016 and are included in "Ordinary Accounts in debit".

Overnight loan transactions with the Central Bank are included in “Cash and balances at central banks”.

NOTE 5: CUSTOMER FINANCE TRANSACTIONS AND SIMILAR

In millions of euros	12/2016	12/2015
Loans and advances to customers	**37,923**	**31,579**
Customer finance transactions	29,248	24,709
Finance lease transactions	8,675	6,870
Operating lease transactions	**715**	**558**
Total customer finance transactions and similar	**38,638**	**32,137**

The gross value of forborne loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulty (or likely to experience financial difficulty in the future), came to €118m and is impaired by €38m at 31 December 2016.

5.1. CUSTOMER FINANCE TRANSACTIONS

In millions of euros	12/2016	12/2015
Loans and advances to customers	**29,614**	**25,216**
Factoring	491	636
Other commercial receivables	2	1
Other customer credit	28,379	23,620
Ordinary accounts in debit	272	276
Doubtful and compromised receivables	470	683
Interest receivable on customer loans and advances	**79**	**46**
Other customer credit	40	33
Ordinary accounts	31	3
Doubtful and compromised receivables	8	10
Total of items included in amortized cost - Customer loans and advances	**114**	**15**
Staggered handling charges and sundry expenses - Received from customers	(27)	(43)
Staggered contributions to sales incentives by manufacturer or dealers	(495)	(423)
Staggered fees paid for referral of business	636	481
Impairment on loans and advances to customers	**(559)**	**(568)**
Impairment on delinquent or at-risk receivables	(226)	(184)
Impairment on doubtful and compromised receivables	(290)	(350)
Impairment on residual value	(43)	(34)
Total customer finance transactions, net	**29,248**	**24,709**

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and impaired allowances continue to appear on the asset side of the group's balance sheet.

The factoring receivables result from the acquisition by the Group of the Renault-Nissan Alliance's commercial receivables.

5.2. FINANCE LEASE TRANSACTIONS

In millions of euros	12/2016	12/2015
Finance lease transactions	**8,756**	**6,970**
Leasing and long-term rental	8,642	6,858
Doubtful and compromised receivables	114	112
Accrued interest on finance lease transactions	**7**	**7**
Leasing and long-term rental	5	5
Doubtful and compromised receivables	2	2
Total of items included in amortized cost - Finance leases	**4**	**(15)**
Staggered handling charges	(15)	(13)
Staggered contributions to sales incentives by manufacturer or dealers	(110)	(100)
Staggered fees paid for referral of business	129	98
Impairment on finance leases	**(92)**	**(92)**
Impairment on delinquent or at-risk receivables	(16)	(11)
Impairment on doubtful and compromised receivables	(75)	(80)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**8,675**	**6,870**

Reconciliation between gross investment in finance lease contracts at the closing date and present value of minimum payments receivable

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2016
Finance leases - net investment	3,830	4,928	9	8,767
Finance leases - future interest receivable	225	194	1	420
Finance leases - gross investment	**4,055**	**5,122**	**10**	**9,187**
Amount of residual value guaranteed to RCI Banque group	2,153	2,544	1	4,698
Of which amount guaranteed by related parties	*1,562*	*1,380*	*1*	*2,943*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	2,493	3,742	9	6,244

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2015
Finance leases - net investment	3,279	3,676	7	6,962
Finance leases - future interest receivable	205	159		364
Finance leases - gross investment	**3,484**	**3,835**	**7**	**7,326**
Amount of residual value guaranteed to RCI Banque group	1,627	1,740	3	3,370
Of which amount guaranteed by related parties	*1,202*	*994*	*3*	*2,199*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	2,282	2,841	4	5,127

5.3. OPERATING LEASE TRANSACTIONS

In millions of euros	12/2016	12/2015
Fixed asset net value on operating lease transactions	**729**	**564**
Gross value of tangible assets	885	656
Depreciation of tangible assets	(156)	(92)
Receivables on operating lease transactions	**4**	**4**
Accrued interest	1	1
Non-impaired receivables	5	5
Doubtful and compromised receivables	2	1
Income and charges to be staggered	(4)	(3)
Impairment on operating leases	**(18)**	**(10)**
Impairment on residual value	(18)	(10)
Total operating lease transactions, net	**715**	**558**

The amount of minimum future payments receivable under operating non-cancelable lease contracts is analyzed as follows

In millions of euros	12/2016	12/2015
0-1 year	60	46
1-5 years	168	130
+5 years	1	
Total	**229**	**176**

5.4. MAXIMUM EXPOSURE TO CREDIT RISK AND INDICATION CONCERNING THE QUALITY OF RECEIVABLES DEEMED NON IMPAIRED BY THE RCI BANQUE GROUP

At 31 December 2016, the RCI Banque group's maximum aggregate exposure to credit risk stood at €44,365m. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on the RCI Banque group's off-balance sheet (see Note 22 Commitments received).

Amount of receivables due

In millions of euros	12/2016	of which non-impaired (1)	12/2015	of which non-impaired(1)
Between 0 and 90 days	433	387	440	408
Between 90 and 180 days	45		44	
Between 180 days and 1 year	24		21	
More than one year	259		289	
Receivables due	**761**	**387**	**794**	**408**

(1) Only includes fully or partially (on an individual basis) non-impaired sales financing receivables.

The risks on the quality of customer loans are assessed (using a score system) and monitored per type of business (Customer and Dealer). At the statement closing date, no component affected the credit quality of non-due and non-impaired sales financing receivables.

There is no significant concentration of risks within the sales financing customer base in line with regulatory requirements.

As at 31 December 2016, guarantees held on doubtful or delinquent receivables totaled €593m, against €523m at 31 December 2015.

5.5. RESIDUAL VALUES OF RISK CARRIED BY RCI BANQUE

The total risk on residual values carried by the RCI Banque group amounted to €1,899m at 31 December 2016 against €1,649m at 31 December 2015. It was covered by provisions totaling €36m at 31 December 2016 (essentially affecting the United Kingdom).

NOTE 6: CUSTOMER FINANCE TRANSACTIONS BY BUSINESS SEGMENT

In millions of euros	Customer	Dealer financing	Other	Total 12/2016
Gross value	**28,656**	**10,272**	**379**	**39,307**
Non-impaired receivables	28,209	10,126	376	38,711
Doubtful receivables	164	124	2	290
Compromised receivables	283	22	1	306
% of doubtful and compromised receivables	*1.56%*	*1.42%*	*0.79%*	*1.52%*
Impairment allowance on individual basis	**(424)**	**(103)**		**(527)**
Non-impaired receivables	(100)	(62)		(162)
Doubtful receivables	(101)	(19)		(120)
Compromised receivables	(223)	(22)		(245)
Impairment allowance on collective basis	**(40)**	**(102)**		**(142)**
Impairment	(13)	(102)		(115)
Country risk	(27)			(27)
Net value(*)	**28,192**	**10,067**	**379**	**38,638**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals)	*54*	*747*	*222*	*1,023*

In millions of euros	Customer	Dealer financing	Other	Total 12/2015
Gross value	**24,209**	**8,244**	**354**	**32,807**
Non-impaired receivables	23,737	7,911	351	31,999
Doubtful receivables	159	297	2	458
Compromised receivables	313	36	1	350
% of doubtful and compromised receivables	*1.95%*	*4.04%*	*0.85%*	*2.46%*
Impairment allowance on individual basis	**(425)**	**(135)**	**(1)**	**(561)**
Non-impaired receivables	(74)	(57)		(131)
Doubtful receivables	(96)	(42)	(1)	(139)
Compromised receivables	(255)	(36)		(291)
Impairment allowance on collective basis	**(40)**	**(69)**		**(109)**
Impairment	(9)	(69)		(78)
Country risk	(31)			(31)
Net value(*)	**23,744**	**8,040**	**353**	**32,137**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals)	*15*	*628*	*254*	*897*

The “Other” category mainly includes buyer and ordinary accounts with dealers and the Renault Group.

The provision for country risk primarily concerns Argentina and Brazil, and to a lesser extent, Morocco and Romania.

NOTE 7: ADJUSTMENT ACCOUNTS & MISCELLANEOUS ASSETS

In millions of euros	12/2016	12/2015
Tax receivables	**466**	**315**
Current tax assets	44	21
Deferred tax assets	106	105
Tax receivables other than on current income tax	316	189
Adjustment accounts and other assets	**748**	**623**
Other sundry debtors	259	166
Adjustment accounts - Assets	45	33
Items received on collections	282	288
Reinsurer part in technical provisions	162	136
Total adjustment accounts – Assets and other assets(*)	**1,214**	**938**
(*) Of which related parties	*99*	*94*

Deferred tax assets are analysed in note 31.

Changes in the share of reinsurers in the technical reserves are analyzed as follows:

Changes in the part of reinsurance in the technical provisions

In millions of euros	12/2016	12/2015
Reinsurer part in technical provisions at the beginning of period	136	110
Increase of the technical provisions chargeable to reinsurers	34	34
Claims recovered from reinsurers	(8)	(8)
Reinsurer part in technical provisions at the end of period	**162**	**136**

NOTE 8: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In millions of euros	12/2016		12/2015	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	25	2	17	2
RN SF B.V.	41	4	32	2
Nissan Renault Financial Services India Private Limited	31	1	23	
Total interests in associates	**97**	**7**	**72**	**4**

NOTE 9: TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

In millions of euros	12/2016	12/2015
Intangible assets: net	**6**	**3**
Gross value	38	35
Accumulated amortization and impairment	(32)	(32)
Property, plant and equipment: net	**22**	**25**
Gross value	111	116
Accumulated depreciation and impairment	(89)	(91)
Total tangible and intangible non-current assets	**28**	**28**

NOTE 10: GOODWILL

In millions of euros	12/2016	12/2015
Argentina	2	3
United Kingdom	37	43
Germany	12	12
Italy	9	9
South Korea	20	20
Czech Republic	6	6
Total goodwill from acquisitions by country	**86**	**93**

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note B). These tests revealed no impairment risk at 31 December 2016.

NOTE 11: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS & DEBT SECURITIES

11.1. CENTRAL BANKS

In millions of euros	12/2016	12/2015
Term borrowings	2,000	1,500
Accrued interest		1
Total Central Banks	**2,000**	**1,501**

At 31 December 2016, the book value of the collateral presented to the Bank of France (3G) amounted to €5,453m in securities issued by securitization vehicles, in eligible bond securities, and in private accounts receivable.

11.2. AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

In millions of euros	12/2016	12/2015
Sight accounts payable to credit institutions	**211**	**205**
Ordinary accounts	12	21
Overnight borrowings	9	52
Other amounts owed	190	132
Term accounts payable to credit institutions	**1,634**	**1,228**
Term borrowings	1,567	1,148
Accrued interest	67	80
Total liabilities to credit institutions	**1,845**	**1,433**

Sight accounts are included in the “Cash and cash equivalents” line item in the cash flow statement.

11.3. AMOUNTS PAYABLE TO CUSTOMERS

In millions of euros	12/2016	12/2015
Amounts payable to customers	**13,214**	**10,885**
Ordinary accounts in credit	93	83
Term accounts in credit	566	571
Ordinary saving accounts	9,011	7,330
Term deposits (retail)	3,544	2,901
Other amounts payable to customers and accrued interest	**53**	**48**
Other amounts payable to customers	22	35
Accrued interest on ordinary accounts in credit	10	10
Accrued interest on ordinary saving accounts	16	2
Accrued interest on customers term accounts	5	1
Total amounts payable to customers(*)	**13,267**	**10,933**
(*) Of which related parties	*606*	*600*

Term accounts in credit include a €550m cash warrant agreement given to RCI Banque S.A. by the manufacturer Renault, covering, without any geographical exceptions, against the risks of the Renault Retail Group defaulting.

RCI Banque launched its savings business in France in 2012, in Germany in February 2013 in Austria in April 2014 and in the United Kingdom in June 2015, marketing both savings accounts and term deposit accounts.

11.4. DEBT SECURITIES

In millions of euros	12/2016	12/2015
Negotiable debt securities(1)	**1,822**	**1,662**
Certificates of deposit	1,389	1,149
Commercial paper and similar	355	261
French MTNs and similar	43	228
Accrued interest on negotiable debt securities	35	24
Other debt securities(2)	**3,064**	**2,776**
Other debt securities	3,062	2,775
Accrued interest on other debt securities	2	1
Bonds and similar	**14,658**	**13,096**
Bonds	14,521	12,886
Accrued interest on bonds	137	210
Total debt securities(*)	**19,544**	**17,534**
(*) Of which related parties	*137*	*156*

(1) Certificates of deposit, commercial paper and French MTNs are issued by RCI Banque S.A., Banco RCI Brasil S.A. and DIAC S.A.

(2) Other debt securities consists primarily of the securities issued by the vehicles created for the French (Diac S.A.), Italian (RCI Banque Succursale Italiana), German (RCI Banque S.A. Niederlassung Deutschland), UK (RCI Financial Services Ltd) and Brazilian (Banco RCI Brasil S.A.) securitization offerings.

11.5. BREAKDOWN OF LIABILITIES BY VALUATION METHOD

In millions of euros	12/2016	12/2015
Liabilities valued at amortized cost - Excluding fair value hedge	**30,755**	**25,452**
Central Banks	2,000	1,501
Amounts payable to credit institutions	1,845	1,433
Amounts payable to customers	13,267	10,933
Debt securities	13,643	11,585
Liabilities valued at amortized cost - Fair value hedge	**5,901**	**5,949**
Debt securities	5,901	5,949
Total financial debts	**36,656**	**31,401**

11.6. BREAKDOWN OF FINANCIAL LIABILITIES BY RATE TYPE BEFORE DERIVATIVES

In millions of euros	Variable	Fixed	12/2016
Central Banks		2,000	2,000
Amounts payable to credit institutions	852	993	1,845
Amounts payable to customers	9,789	3,478	13,267
Negotiable debt securities	333	1,489	1,822
Other debt securities	3,064		3,064
Bonds	4,761	9,897	14,658
Total financial liabilities by rate	**18,799**	**17,857**	**36,656**

In millions of euros	Variable	Fixed	12/2015
Central Banks		1,501	1,501
Amounts payable to credit institutions	808	625	1,433
Amounts payable to customers	8,033	2,900	10,933
Negotiable debt securities	421	1,241	1,662
Other debt securities	2,776		2,776
Bonds	3,596	9,500	13,096
Total financial liabilities by rate	**15,634**	**15,767**	**31,401**

11.7. BREAKDOWN OF FINANCIAL LIABILITIES BY REMAINING TERM TO MATURITY

The breakdown of financial liabilities by maturity is shown in note 17.

NOTE 12: SECURITIZATION

SECURITIZATION – Public issues

Country	France	France	France	Italy	Germany	Germany	Germany	Brazil
Originator	DIAC S.A.	DIAC S.A.	DIAC S.A.	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	Banco RCI Brazil S.A.
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Auto loans to customers
Issuer	CARS Alliance Auto Loans France FCT Master	CARS Alliance Auto Loans France V 2014-1	FCT Cars Alliance DFP France	Cars Alliance Auto Loans Italy 2015 s.r.l.	CARS Alliance Auto Loans Germany Master	CARS Alliance Auto Loans Germany V2013-1	CARS Alliance Auto Loans Germany V2016-1	Fundo de Investimento em Direitos Creditórios RCI Brasil I
Closing date	May 2012	October 2014	July 2013	July 2015	March 2014	December 2013	May 2016	May 2015
Legal maturity date	August 2030	January 2026	July 2023	December 2031	March 2031	December 2024	May 2027	April 2021
Initial purchase of receivables	€715m	€700m	€1,020m	€1,234m	€674m	€977m	€822m	n.a.
Credit enhancement as at the closing date	Cash reserve for 1% Over-collateralization of receivables 15.1%	Cash reserve for 1% Over-collateralization of receivables 11.5%	Cash reserve for 1% Over-collateralization of receivables 20,35%	Cash reserve for 1% Over-collateralization of receivables 22.6%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1% Over-collateralization of receivables 12%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1% Over-collateralization of receivables 11%
Receivables purchased as of 31 December 2016	€1,325m	€292m	€1,040m	€1,208m	€1,709m	€325m	€797m	€114m
Notes in issue as at 31 December 2016 (including any units held by the RCI Banque group)	Class A Rating: AAA €1,150m Class B Non rated €184m	Class A Rating: AAA €225m Class B Rating: A+ €44m Class C Non rated €34m	Class A Rating: AAA €750m	Class A Rating: AAA €955m Class J Non rated €292m	Class A Rating: AAA €1,446m Class B Non rated €125m	Class A Rating: AAA €211m Class B Rating: A €57m Class C Non rated €52m	Class A Rating: AAA €700m Class B Rating: AA €23m Class C Non rated €38m	Class A Rating: AAA €87m Class B Non rated €17m
Period	Revolving	Amortizing	Revolving	Revolving	Revolving	Amortizing	Revolving	Revolving
Transaction's nature	Retained	Market	Retained	Retained	Retained	Market	Market	Market

In 2016, the RCI Banque group carried a securitization transaction in public format in Germany, by means of special purpose vehicles.

In addition, and as part of its efforts to diversify its refinancing, a number of operations were secured by conduit. As these issues were private, their terms and conditions are not disclosed in the above table. Customer receivables in the United Kingdom were securitized, as well as leasing receivables and dealer receivables in Germany.

At 31 December 2016, the amount of financing obtained through securitization by conduit totaled €1,927m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €1,339m.

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2016, the amount of the sales financing receivables thus maintained on the balance sheet totaled €9,768m (€8,825m at 31 December 2015), as follows:

- Securitization transactions placed on the market: €1,582m
- Retained securitization transactions: €5,282m
- Private securitization transactions: €2,904m

The fair value of these receivables is €9,730m at 31 December 2016.

Liabilities of €3,064m have been booked under "Other debt securities" for the securities issued during securitization transactions. The fair value of these liabilities is €3,091m at 31 December 2016.

The difference between the amount of receivables transferred and the amount of the aforementioned liabilities corresponds to the credit enhancement needed for these transactions and to the share of securities retained by the RCI Banque group serving as a liquidity reserve.

NOTE 13: ADJUSTMENT ACCOUNTS & MISCELLANEOUS LIABILITIES

In millions of euros	12/2016	12/2015
Taxes payable	**449**	**423**
Current tax liabilities	88	79
Deferred tax liabilities	333	324
Taxes payable other than on current income tax	28	20
Adjustment accounts and other amounts payable	**1,556**	**1,274**
Social security and employee-related liabilities	42	40
Other sundry creditors	648	552
Adjustment accounts - liabilities	300	216
Accrued interest on other sundry creditors	558	459
Collection accounts	8	7
Total adjustment accounts - Liabilities and other liabilities(*)	**2,005**	**1,697**
(*) Of which related parties	*321*	*282*

Deferred tax assets are analyzed in note 31.

Other sundry creditors and accruals on sundry creditors mainly concern accrued invoices, provisions for commissions payable for referral of business, insurance commissions payable by the Maltese entities and the valuation of put options on minority interests.

NOTE 14: PROVISIONS

In millions of euros	12/2015	Charge	Reversals		Other(*)	12/2016
			Used	Not Used		
Provisions on banking operations	**317**	**224**	**(23)**	**(143)**	**1**	**376**
Provisions for litigation risks	10	5		(3)		12
Insurance technical provisions	288	214	(22)	(134)	(3)	343
Other provisions	19	5	(1)	(6)	4	21
Provisions on non-banking operations	**83**	**37**	**(16)**	**(2)**	**12**	**114**
Provisions for pensions liabilities and related	40	5	(5)		10	50
Provisions for restructuring	1					1
Provisions for tax and litigation risks	39	29	(11)		3	60
Other	3	3		(2)	(1)	3
Total provisions	**400**	**261**	**(39)**	**(145)**	**13**	**490**

(*) Other = Reclassification, currency translation effects, changes in scope of consolidation

Each of the known disputes in which RCI Banque or the group's companies are involved was reviewed at the closing date. On the advice of legal counsel, provisions were established when deemed necessary to cover estimated risks.

Every so often, the group's companies are subject to tax audits in the countries where they are based. Uncontested deficiency notices are booked by means of tax provisions. Contested deficiency notices are recognized case by case on the basis of estimates taking into account the merit of the claims against the company concerned and the risk that it may not prevail in its case.

Other provisions on banking operations mainly consist of the insurance technical provision for captive insurance company commitments towards policy holders and beneficiaries. The insurance technical provision came to €343m at end-December 2016.

Provisions for restructuring at end-December 2016, €1m, mainly concern Spain.

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €3m at end-December 2016 against €6m at end-December 2015 following a reversal (not used) of €3m for unfair administration/processing fees. The remaining provisions relate to administration/processing fees billed to business customers.

Insurance risk

The main risk to which the group is exposed in respect of insurance and re-insurance policies taken out is the risk that the actual total amount of claims and settlements and/or the rate of payment thereof may differ from estimations. The frequency of claims, their seriousness, the valuation of settlements paid out and the type of claims, some of whose development may be long term, all have an impact on the main risk to which the group is exposed. The group makes sure that its available reserves are sufficient to cover its commitments.

Exposure to risk is limited by diversifying the portfolio of insurance and re-insurance policies, and the geographical areas in which they are taken out. Fluctuations in the level of risk are also kept to a minimum through stringent policy selection, compliance with subscription guides and the use of re-insurance agreements.

The group makes use of re-insurance in order to limit risk. Policies are transferred under re-insurance agreements on a proportionate basis. Proportionate reinsurance treaties are signed in order to reduce the group's overall exposures for all businesses and in all countries. The amounts that may be recovered from re-insurers are determined in accordance with the claim reserves and with the reinsurance treaties. Re-insurance does not release the transferor from its commitments to policy holders and if for any reason the re-insurer is unable to meet its obligations, the group is exposed to a credit risk on the policies transferred. Re-insurance treaties are signed with A-rated counterparties and the group actively monitors each re-insurer's rating. The group has assessed the risks covered by reinsurance contracts and believes that no retrocession is required.

Key assumptions

The main assumption underlying estimations of liabilities is that the trend in future claims will follow exactly the same trend as in past claims.

The group has therefore factored in an ultimate loss rate in estimating the total cost of claims and of claim reserves (IBNR). Bearing in mind the reinsurance treaties that have been signed, any deterioration or improvement in this loss rate would have no significant impact on the year's results.

Provisions for pension and other post-employment benefits

In millions of euros	12/2016	12/2015
France	33	30
Rest of world	17	10
Total provisions	**50**	**40**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2016	12/2015
Retirement age	67 years	67 years
Salary increases	1.72%	2.06%
Financial discount rate	1.73%	2.10%
Starting rate	4.55%	5.40%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2016	12/2015	12/2016	12/2015	12/2016	12/2015
Average duration	26 years	24 years	18 years	18 years	12 years	12 years
Rate of wage indexation	3.15%	3.05%	1.00%	1.00%	1.25%	1.25%
Financial discount rate	2.70%	3.95%	0.70%	0.80%	1.80%	2.40%
Actual return rate of hedge assets	16.30%	0.40%	1.47%	2.00%	1.80%	2.40%

Changes in provisions during the year

In millions of euros	Actuarial value of obligations (A)	Actuarial value of invested funds (B)	Obligations less invested funds (C)	Net liabilities of the defined-benefit pension plans (A)-(B)-(C)
Opening balance of the current period	**81**	**41**		**40**
Current service cost	4			4
Net interest on the net liability (asset)	2	1		1
Expense (income) recorded in the income statement	**6**	**1**		**5**
Actuarial gains and losses on the obligation resulting from changes in demographic assumptions	2			2
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	15			15
Net return on fund asset (not included in net interest aboxe)		2		(2)
Actuarial gains and losses on the obligation resulting from experience adjustments	(9)			(9)
Expense (income) recorded in Other components of comprehensive income	**8**	**2**		**6**
Employer's contributions to funds		2		(2)
Benefits paid	(3)	(1)		(2)
Effect of changes in exchange rates	(1)	(4)		3
Balance at the closing date of the period	**91**	**41**		**50**

Nature of invested funds

In millions of euros	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
	12/2016		12/2015	
Shares	10		10	
Bonds	26		26	
Others	5		5	
Total	**41**		**41**	

NOTE 15: IMPAIRMENTS ALLOWANCES TO COVER COUNTERPARTY RISK

In millions of euros	12/2015	Charge	Reversals		Other(*)	12/2016
			Used	Not Used		
Impairments on banking operations	**670**	**312**	**(170)**	**(135)**	**(7)**	**670**
Customer finance transactions (on individual basis)	561	268	(169)	(126)	(7)	527
Customer finance transactions (on collective basis)	109	43	(1)	(9)		142
Securities transactions		1				1
Impairment on non-banking operations	**5**	**3**	**(1)**			**7**
Other impairment to cover counterparty risk	5	3	(1)			7
Impairment on banking operations	**10**	**5**		**(3)**		**12**
Provisions for litigation risks	10	5		(3)		12
Total provisions to cover counterparty risk	**685**	**320**	**(171)**	**(138)**	**(7)**	**689**

(*) Other = Reclassification, currency translation effects, changes in scope of consolidation

A breakdown by market segment of allowances for impairment of assets in connection with customer finance operations is provided in note 6.

NOTE 16: SUBORDINATED DEBT - LIABILITIES

In millions of euros	12/2016	12/2015
Participating loan stocks	12	12
Total subordinated liabilities	**12**	**12**

The remuneration on the participating loan stock issued in 1985 by Diac S.A. includes a fixed component equal to the money market rate and a variable component obtained by applying the rate of increase in the Diac sub-group's consolidated net income for the year compared to that of the previous year, to 40% of the money market rate.

Annual remuneration is between 100% and 130% of the money market rate, with a floor rate of 6.5%.

NOTE 17: FINANCIAL ASSETS AND LIABILITIES BY REMAINING TERM TO MATURITY

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2016
Financial assets	**11,098**	**12,855**	**16,805**	**422**	**41,180**
Cash and balances at central banks	1,040				1,040
Derivatives	18	33	171	16	238
Financial assets available for sale and other	247	301	272	135	955
Amounts receivable from credit institutions	814	60	150		1,024
Loans and advances to customers	8,979	12,461	16,212	271	37,923
Financial liabilities	**12,693**	**5,644**	**15,753**	**2,675**	**36,765**
Central Banks			2,000		2,000
Derivatives	4	40	41	12	97
Amounts payable to credit institutions	593	481	771		1,845
Amounts payable to customers	9,857	1,299	1,561	550	13,267
Debt securities	2,239	3,824	11,380	2,101	19,544
Subordinated debt				12	12

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2015
Financial assets	**10,989**	**10,561**	**13,500**	**334**	**35,384**
Cash and balances at central banks	1,937				1,937
Derivatives	46	137	167	24	374
Financial assets available for sale and other	275	196	62	110	643
Amounts receivable from credit institutions	720		131		851
Loans and advances to customers	8,011	10,228	13,140	200	31,579
Financial liabilities	**11,035**	**4,554**	**14,060**	**1,832**	**31,481**
Central Banks		1	1,500		1,501
Derivatives	9	29	30		68
Amounts payable to credit institutions	390	566	477		1,433
Amounts payable to customers	7,635	984	1,764	550	10,933
Debt securities	3 ,001	2,974	10,289	1,270	17,534
Subordinated debt				12	12

Central Bank borrowings correspond to the longer term refinancing operations (TLTRO) introduced at the end of 2014 and gradually being used by RCI Banque.

NOTE 18: BREAKDOWN OF FUTURE CONTRACTUAL CASH FLOWS BY MATURITY

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2016
Financial liabilities	**12,606**	**5,817**	**16,283**	**2,701**	**37,407**
Central Banks			2,000		2,000
Derivatives	6	37	48	11	102
Amounts payable to credit institutions	578	427	771		1,776
Amounts payable to customers	9,830	1,295	1,561	550	13,236
Debt securities	2,063	3,721	11,376	2,101	19,261
Subordinated debt				10	10
Future interest payable	129	337	527	29	1,022
Financing and guarantee commitments	**1,998**	**49**		**5**	**2,052**
Total breakdown of future contractual cash flows by maturity	**14,604**	**5,866**	**16,283**	**2,706**	**39,459**

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2015
Financial liabilities	**10,875**	**4,753**	**14,640**	**1,943**	**32,211**
Central Banks			1,500		1,500
Derivatives		25	7		32
Amounts payable to credit institutions	372	502	477		1,351
Amounts payable to customers	7,623	983	1,764	550	10,920
Debt securities	2,708	2,847	10,281	1,270	17,106
Subordinated debt				9	9
Future interest payable	172	396	611	114	1,293
Financing and guarantee commitments	**1,881**	**70**		**5**	**1,956**
Total breakdown of future contractual cash flows by maturity	**12,756**	**4,823**	**14,640**	**1,948**	**34,167**

The sum of the future contractual cash flows is not equal to the values in the balance sheet. This is because future contractual interest and non-discounted coupon payments on swaps are taken into account.

For liability derivatives, the contractual cash flows correspond to the amounts payable.

For the other non-derivative financial liabilities, the contractual cash flows correspond to the repayment of the par value and the payment of interest.

Interest for variable rate financial instruments has been estimated on the basis of the interest rate in effect at 31 December 2016.

NOTE 19: FAIR VALUE OF ASSETS AND LIABILITIES (IN ACCORDANCE WITH IFRS 7 & IFRS 13) AND BREAKDOWN OF ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY

In millions of euros 31/12/2016	Book Value	Fair Value				Gap(*)
		Level 1	Level 2	Level 3	FV(*)	
Financial assets	**41,180**	**929**	**2,302**	**37,993**	**41,224**	**44**
Cash and balances at central banks	1,040		1,040		1,040	
Derivatives	238		238		238	
Financial assets available for sale and other	955	929		26	955	
Amounts receivable from credit institutions	1,024		1,024		1,024	
Loans and advances to customers	37,923			37,967	37,967	44
Financial liabilities	**36,765**	**12**	**36,835**		**36,847**	**(82)**
Central Banks	2,000		2,000		2,000	
Derivatives	97		97		97	
Amounts payable to credit institutions	1,845		1,793		1,793	52
Amounts payable to customers	13,267		13,267		13,267	
Debt securities	19,544		19,678		19,678	(134)
Subordinated debt	12	12			12	

(*) FV: Fair value - Difference: Unrealized gain or loss

Financial assets available for sale classified as Level 3 are holdings in non-consolidated companies.

In millions of euros 31/12/2015	Book Value	Fair Value				Gap(*)
		Level 1	Level 2	Level 3	FV(*)	
Financial assets	**35,384**	**635**	**3,162**	**31,615**	**35,412**	**28**
Cash and balances at central banks	1,937		1,937		1,937	
Derivatives	374		374		374	
Financial assets available for sale and other	643	635		8	643	
Amounts receivable from credit institutions	851		851		851	
Loans and advances to customers	31,579			31,607	31,607	28
Financial liabilities	**31,481**	**12**	**31,532**		**31,544**	**(63)**
Central Banks	1,501		1,501		1,501	
Derivatives	68		68		68	
Amounts payable to credit institutions	1,433		1,426		1,426	7
Amounts payable to customers	10,933		10,933		10,933	
Debt securities	17,534		17,604		17,604	(70)
Subordinated debt	12	12			12	

(*) FV: Fair value - Difference: Unrealized gain or loss

Assumptions and methods used:

The three-level hierarchy for financial instruments recognized on the balance sheet at fair value, as required by IFRS 7 is as follows:

- ***Level 1:*** measurements based on quoted prices on active markets for identical financial instruments.
- ***Level 2:*** measurements based on quoted prices on active markets for similar financial instruments or measurements for which all significant data are based on observable market data.
- ***Level 3:*** measurement techniques for which significant data are not based on observable market data.

Estimated fair values have been determined using available market information and appropriate valuation methods for each type of instrument.

However, the methods and assumptions used are by nature theoretical, and a substantial amount of judgment comes into play in interpreting market data. Using different assumptions and/or different valuation methods could have a significant effect on the estimated values.

Fair values have been determined on the basis of information available at the closing date of each period, and thus do not reflect later changes.

As a general rule, whenever a financial instrument is traded on an active, liquid market, its most recent quoted price is used to calculate market value. For instruments without a quoted price, market value is determined by applying recognized valuation models that use observable market parameters. If RCI Banque does not have the necessary valuation tools, including for complex products, valuations are obtained from leading financial institutions.

The main assumptions and valuation methods used are the following:

• Financial assets

Fixed-rate loans have been estimated by discounting future cash flows at the interest rates offered by RCI Banque at 31 December 2015 and at 31 December 2016 for loans with similar conditions and maturities.

Level 3 securities are non-consolidated holdings for which there is no quoted price.

• Loans and advances to customers

Sales financing receivables have been estimated by discounting future cash flows at the interest rate that would have applied to similar loans (conditions, maturity and borrower quality) at 31 December 2015 and at 31 December 2016.

Customer receivables with a term of less than one year are not discounted, as their fair value is not significantly different from their net book value.

• Financial liabilities

Fair value of financial liabilities has been estimated by discounting future cash flows at the interest rates offered to RCI Banque at 31 December 2015 and 31 December 2016 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

Note 20: Netting agreements and other similar commitments

Master Agreement relating to transactions on forward financial instruments and similar agreements

The RCI Banque group negotiates its forward derivative agreements under International Swaps and Derivatives Association (ISDA) and FBF (Fédération Bancaire Française) Master Agreements.

The occurrence of an event of default entitles the non-defaulting party to suspend performance of its payment obligations and to payment or receipt of a settlement amount for all terminated transactions.

ISDA and FBF Master Agreements do not meet the criteria for offsetting in the financial statements. The RCI Banque group currently only has a legally enforceable right to offset booked amounts in the event of default or a credit event.

Synthesis of financial assets and liabilities agreements

In millions of euros 31/12/2016	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount: Financial instruments on the liability	Non compensated amount: Guarantees on the liability	Non compensated amount: Off-balance sheet guarantees	Net Exposure
Assets	**1,236**		**1,236**	**58**	**713**		**465**
Derivatives	238		238	58			180
Network financing receivables(1)	998		998		713		285
Liabilities	**97**		**97**	**58**			**39**
Derivatives	97		97	58			39

(1) The gross book value of dealer financing receivables breaks down into €621m for the Renault Retail Group, whose exposures are hedged for up to €544m by a cash warrant agreement given by the Renault manufacturer (see note 11.3), and €377m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €169m by pledge of letras de cambio subscribed by the dealers.

In millions of euros 31/12/2015	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount: Financial instruments on the liability	Non compensated amount: Guarantees on the liability	Non compensated amount: Off-balance sheet guarantees	Net Exposure
Assets	**1,278**		**1,278**	**49**	**681**		**548**
Derivatives	374		374	49			325
Network financing receivables(1)	904		904		681		223
Liabilities	**68**		**68**	**49**			**19**
Derivatives	68		68	49			19

(1) The gross book value of dealer financing receivables breaks down into €547m for the Renault Retail Group, whose exposures are hedged for up to €542m by a cash warrant agreement given by the Renault manufacturer (see note 11.3), and €357m for non-group dealers financed by Companhia de Credito, Financiamento e Investimento RCI Brasil, whose exposures are hedged for up to €139m by pledge of letras de cambio subscribed by the dealers.

NOTE 21: COMMITMENTS GIVEN

In millions of euros	12/2016	12/2015
Financing commitments	**2,066**	**1,952**
Commitments to customers	2,066	1,952
Guarantee commitments	**72**	**46**
Commitments to credit institutions	67	41
Customer guarantees	5	5
Other commitments given	**22**	
Commitments given for equipment leases and real estate leases	22	
Total commitments given(*)	**2,160**	**1,998**
(*) Of which related parties	*8*	*6*

NOTE 22: COMMITMENTS RECEIVED

In millions of euros	12/2016	12/2015
Financing commitments	**4,642**	**4,492**
Commitments from credit institutions	4,642	4,492
Guarantee commitments	**10,357**	**8,629**
Guarantees received from credit institutions	211	146
Guarantees from customers	5,075	4,565
Commitments to take back leased vehicles at the end of the contract	5,071	3,918
Total commitments received(*)	**14,999**	**13,121**
(*) Of which related parties	*3,493*	*2,893*

At 31 December 2016, RCI Banque had €4,637m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €2,627m of receivables eligible as European Central Bank collateral (after haircuts and excluding securities and receivables already in use to secure financing at year-end).

Most of the commitments received from related parties concern the commitments to take back vehicles agreed with manufactures as part of finance leases.

Guarantees and collateral

Guarantees or collateral offer partial or total protection against the risk of losses due to debtor insolvency (mortgages, pledges, comfort letters, bank guarantees on first demand for the granting of loans to dealers and private customers in certain cases). Guarantors are the subject of internal or external rating updated at least annually.

With a view to reducing its risk-taking, the RCI Banque group thus actively and rigorously manages its sureties, among other things by diversifying them: credit insurance, personal and other guarantees.

NOTE 23: EXPOSURE TO CURRENCY RISK

In millions of euros 12/2016	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(760)	763		3	3	
Position GBP	105		13		118		118
Position CHF	681			(677)	4		4
Position CZK	145			(127)	18		18
Position ARS	9				9	1	8
Position BRL	175				175		175
Position PLN	366			(353)	13		13
Position HUF	6				6		6
Position RON		(1)			(1)	(1)	
Position KRW	169				169		169
Position MAD	29				29	2	27
Position DKK	116			(111)	5	5	
Position TRY	21				21		21
Position SEK	90			(90)			
Position NOK	1				1	1	
Position RUB	1				1	1	
Position SGD		(32)	32				
Position COP	19				19		19
Total exposure	**1,933**	**(793)**	**808**	**(1,358)**	**590**	**12**	**578**

In millions of euros 12/2015	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(1,144)	1,144				
Position GBP	1,195			(1,058)	137		137
Position CHF	422			(418)	4		4
Position CZK	87			(69)	18		18
Position ARS	9				9	(1)	10
Position BRL	88				88	(3)	91
Position PLN	317			(304)	13		13
Position HUF	6				6		6
Position RON		(2)			(2)	(2)	
Position KRW	167				167		167
Position MAD	25				25	(2)	27
Position DKK	103			(94)	9	9	
Position TRY	15				15		15
Position SEK	95			(95)			
Position AUD		(124)	124				
Position SGD		(31)	31				
Total exposure	**2,529**	**(1,301)**	**1,299**	**(2,038)**	**489**	**1**	**488**

The structural foreign exchange position corresponds to the value of foreign currency equity securities held by RCI Banque S.A.

NOTE 24: INTEREST AND SIMILAR INCOME

In millions of euros	12/2016	12/2015
Interests ans similar incomes	**2,289**	**2,266**
Transactions with credit institutions	27	22
Customer finance transactions	1,714	1,660
Finance lease transactions	466	465
Accrued interest due and payable on hedging instruments	70	110
Accrued interest due and payable on Financial assets available for sale	12	9
Staggered fees paid for referral of business:	**(445)**	**(388)**
Customer Loans	(363)	(322)
Finance leases	(82)	(66)
Total interests and similar income (*)	**1,844**	**1,878**
(*) Of which related parties	*580*	*545*

As the receivables assigned under the securitization transactions have not been derecognized, interest on those receivables continues to appear under interest and similar income in customer finance transactions.

NOTE 25: INTEREST EXPENSES AND SIMILAR CHARGES

In millions of euros	12/2016	12/2015
Transactions with credit institutions	(154)	(174)
Customer finance transactions	(143)	(114)
Finance lease transactions	(1)	(1)
Accrued interest due and payable on hedging instruments	(19)	(16)
Expenses on debt securities	(431)	(537)
Other interest and similar expenses	(13)	(19)
Total interest and similar expenses(*)	**(761)**	**(861)**
(*) Of which related parties	*(24)*	*(31)*

NOTE 26: NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of euros	12/2016	12/2015
Net gains / losses on forex transactions	16	(24)
Net gains / losses on derivatives classified in trading securities	(10)	21
Net gains and losses on equity securities at fair value		(2)
Fair value hedges: change in value of hedging instruments	(78)	69
Fair value hedges: change in value of hedged items	81	(70)
Total net gains or losses on financial instruments at fair value	**9**	**(6)**

NOTE 27: NET GAINS (LOSSES) ON AFS SECURITIES AND OTHER FINANCIAL ASSETS

In millions of euros	12/2016	12/2015
Dividends from non-consolidated holdings	2	1
Charges to (reversals of) impairment allowances	(1)	
Total Net gains (losses) on financial assets available for sale and other(*)	**1**	**1**
(*) Of which related parties	*1*	*1*

NOTE 28: NET INCOME OR EXPENSE OF OTHER ACTIVITIES

In millions of euros	12/2016	12/2015
Other income from banking operations	**1,029**	**936**
Incidental income from finance contracts	286	313
Income from service activities	461	404
Income related to non-doubtful lease contracts	115	91
of which reversal of impairment on residual values	*12*	*13*
Income from operating lease transactions	139	95
Other income from banking operations	28	33
of which reversal of charge to reserve for banking risks	*11*	*18*
Other expenses of banking operations	**(665)**	**(600)**
Cost of services related to finance contracts	(127)	(129)
Cost of service activities	(209)	(198)
Expenses related to non-doubtful lease contracts	(137)	(103)
of which allowance for impairment on residual values	*(38)*	*(24)*
Distribution costs not treatable as interest expense	(85)	(83)
Expenses related to operating lease transactions	(92)	(61)
Other expenses of banking operations	(15)	(26)
of which charge to reserve for banking risks	*(5)*	*(3)*
Other operating income and expenses		
Other operating income	5	5
Other operating expenses	21	23
Total net income (expense) of other activities(*)	**369**	**341**
(*) Of which related parties	*(4)*	*1*

Incidental income and cost of services related to finance contracts as well as income and expenses of service activities primarily concern insurance and maintenance contracts.

Income and expenses of service activities include the income and expenses booked for insurance policies issued by the group's captive insurance companies.

Net income of own risk insurance activities

In millions of euros	12/2016	12/2015
Gross premiums issued	273	241
Net charge of provisions for technical provisions	(58)	(59)
Claims paid	(22)	(22)
Others contract charges including commissions paid	(1)	(2)
Claims recovered from reinsurers	8	8
Others reinsurance charges and incomes	(8)	(12)
Total net income of insurance activities	**192**	**154**

NOTE 29: GENERAL OPERATING EXPENSES AND PERSONNAL COSTS

In millions of euros	12/2016	12/2015
Personnel costs	**(240)**	**(232)**
Employee pay	(161)	(156)
Expenses of post-retirement benefits	(15)	(17)
Other employee-related expenses	(55)	(52)
Other personnel expenses	(9)	(7)
Other administrative expenses	**(216)**	**(191)**
Taxes other than current income tax	(35)	(29)
Rental charges	(9)	(11)
Other administrative expenses	(172)	(151)
Total general operating expenses(*)	**(456)**	**(423)**
(*) Of which related parties	*(6)*	*(2)*

Average number of employees	12/2016	12/2015
Sales financing operations and services in France	1,393	1,324
Sales financing operations and services in other countries	1,661	1,589
Total RCI Banque group	**3,054**	**2,913**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel-related risks.

NOTE 30: COSXF RISK BY CUSTOMER CATEGORY

In millions of euros	12/2016	12/2015
Cost of risk on customer financing	**(83)**	**(84)**
Impairment allowances	(175)	(213)
Reversal of impairment	196	231
Losses on receivables written off	(138)	(134)
Amounts recovered on loans written off	34	32
Cost of risk on dealer financing	**(17)**	**(10)**
Impairment allowances	(92)	(108)
Reversal of impairment	90	113
Losses on receivables written off	(16)	(15)
Amounts recovered on loans written off	1	
Other cost of risk	**(4)**	**1**
Change in allowance for impairment of other receivables	(4)	1
Total cost of risk	**(104)**	**(93)**

This item includes the net increase (decrease) in impairment allowances, losses on receivables written off, and amounts recovered on receivables written off.

NOTE 31: INCOME TAX

In millions of euros	12/2016	12/2015
Current tax expense	**(252)**	**(289)**
Current tax expense	(252)	(289)
Deferred taxes	**(34)**	**18**
Income (expense) of deferred taxes, gross	(34)	18
Total income tax	**(286)**	**(271)**

The amount of the French CVAE tax (Cotisation sur la Valeur Ajoutée des Entreprises, a tax computed on the added value generated by the company) included in current income tax is -€8m.

Current tax expense is equal to the amount of income tax due and payable to tax authorities for the year, under the rules and tax rates applicable in each country.

Certain differences between companies' income for tax purposes and their income for consolidated financial reporting purposes give rise to the recognition of deferred taxes. These differences result mainly from rules for accounting for lease-purchase and long-term rental transactions and for recognizing impairment on doubtful receivables.

Breakdown of net deferred taxes by major category

In millions of euros	12/2016	12/2015
Provisions	58	52
Provisions and other charges deductible when paid	11	13
Tax loss carryforwards	55	54
Other assets and liabilities	55	26
Lease transactions	(396)	(355)
Non-current assets	(4)	(4)
Impairment allowance on deferred tax assets	(6)	(5)
Total net deferred tax asset (liability)	**(227)**	**(219)**

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2016	12/2015
Statutory income tax rate - France	**33.43%**	**38.00%**
Differential in tax rates of French entities	1.22%	1.72%
Differential in tax rates of foreign entities	-6.66%	-7.92%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	0.03%	
Effect of equity-accounted associates	-0.24%	-0.17%
Other impacts	2.62%	0.54%
Effective tax rate	**31.40%**	**32.17%**

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2016 change in equity			2015 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	(51)	23	(28)	11	(4)	7
Unrealised P&L on AFS financial assets				1	(1)	
Actuarial differences	(10)	2	(8)	4	(1)	3
Exchange differences	(6)		(6)	(55)		(55)

NOTE 32: EVENTS AFTER THE END OF THE REPORTING PERIOD

No events occurred between the reporting period end date and 3 February 2017, when the Board of Directors approved the financial statements that might have a significant impact on the financial statements for the year ended 31 December 2016.

8. GROUP SUBSIDIARIES AND BRANCHES

A) LIST OF CONSOLIDATED COMPANIES AND FOREIGN BRANCHES

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	**2016**	2015
PARENT COMPANY: RCI BANQUE S.A.						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque S.A. Niederlassung Osterreich	Austria					
RCI Banque S.A. Sucursal en España	Spain					
RCI Banque Sucursal Portugal	Portugal					
RCI Banque S.A. Bancna Podruznica Ljubljana	Slovenia					
RCI Banque Succursale Italiana	Italy					
RCI Banque Branch Ireland	Ireland					
Renault Finance Nordic, Bankfilial till RCI Banque S.A. Frankrike	Sweden					
RCI Banque Spółka Akcyjna Oddział w Polsce	Poland					
RCI Bank UK**	United-Kingdom					
FULLY CONSOLIDATED COMPANIES:						
RCI Versicherungs Service GmbH	Germany	100			**100**	100
Rombo Compania Financiera S.A.	Argentina	60			**60**	60
Courtage S.A.	Argentina	95			**95**	95
RCI Financial Services S.A.	Belgium	100			**100**	100
AUTOFIN	Belgium	100			**100**	100
Administradora De Consorcio RCI Brasil Ltda.	Brazil	99.92			**99.92**	99.92
Banco RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI Brasil)	Brazil	60.11	-		**60.11**	60.11
Companhia de Credito, Financiamento e Investimento RCI Brasil (absorption by Banco RCI Brasil S.A.)	Brazil					60.11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			**100**	100
RCI Financial Services Korea Co, Ltd	South Korea	100			**100**	100
Overlease S.A.	Spain	100			**100**	100
Diac S.A.	France	100			**100**	100
Diac Location S.A.	France	-	100	Diac S.A.	**100**	100
RCI ZRT	Hungary	100			**100**	100
ES Mobility SRL	Italy	100			**100**	100
RCI Services Ltd	Malta	100			**100**	100
RCI Insurance Ltd	Malta	-	100	RCI Services Ltd	**100**	100
RCI Life Ltd	Malta	-	100	RCI Services Ltd	**100**	100
RCI Finance Maroc	Morocco	100				
RDFM	Morocco	-	100	RCI Finance Maroc	**100**	100
RCI Financial Services B.V.	Netherlands	100			**100**	100

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2016	2015
RCI Leasing Polska	Poland	100			**100**	100
RCI GEST - Instituiçào Financeira de Crédito, S.A. (absorption by RCI Banque Sucursal Portugal with transfert of asset to RCI COM)	Portugal					100
RCI COM S.A.*	Portugal	100			**100**	
RCI GEST SEGUROS – Mediadores de Seguros, Lda	Portugal		100	RCI COM S.A.	**100**	100
RCI Finance CZ s.r.o.	Czech Republic	100			**100**	100
RCI Financial Services s.r.o.	Czech Republic	50			**50**	50
RCI Finantare Romania	Roumania	100			**100**	100
RCI Broker De Asigurare S.R.L.	Roumania		100	RCI Finantare Romania	**100**	100
RCI Leasing Romania IFN S.A.	Roumania	100			**100**	100
RCI Financial Services Ltd	United-Kingdom	100			**100**	100
OOO RN FINANCE RUS	Russia	100			**100**	100
RCI Finance S.A.	Switzerland	100			**100**	100
SPV						
CARS Alliance Auto Loans Germany Master	Germany		(cf note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V2013-1	Germany		(cf note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V2016-1*	Germany		(cf note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Deutschland		
CARS Alliance DFP Germany 2014	Germany			RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans France V 2014-1	France		(cf note 12)	Diac S.A.		
FCT Cars Alliance DFP France	France		(cf note 12)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(cf note 12)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL**	Italy		(cf note 12)	RCI Banque Succursale Italiana		
Cars Alliance Auto UK 2015 Limited**	United-Kingdom			RCI Financial Services Ltd		
Fundo de Investimento em Direitos Creditórios RCI Brasil I**	Brazil		(cf note 12)	Banco RCI Brasil S.A.		
Fundo de Investimento em Direitos Creditórios RN Brasil	Brazil			Banco RCI Brasil S.A.		
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD						
RN SF B.V.	Netherlands	50			**50**	50
BARN B.V.	Netherlands		60	RN SF B.V.	**30**	30
RN Bank	Russia		100	BARN B.V.	**30**	30
Orfin Finansman Anonim Sirketi	Turkey	50			**50**	50
Renault Crédit Car	Belgium		50.10	AUTOFIN	**50.10**	50.10
Nissan Renault Financial Services India Private Ltd**	India	30			**30**	30

* Entities added to the scope in 2016
** Entities added to the scope in 2015

B) SUBSIDIARIES IN WHICH NON-CONTROLLING INTERESTS ARE SIGNIFICANT

In millions of euros - 31/12/2016 before intra-group elimination	**Rombo Compania Financiera S.A.**	**BANCO RCI Brasil S.A.**
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40.00%	39.89%
Share in associates by non controlling interests	40.00%	39.89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Full consolidation
Net Income: Share in net income (loss) of associates and joint ventures	5	17
Equity: Investments in associates and joint ventures		1
Dividends paid to non controlling interests (minority shareholders)	6	6
Cash, due from banks	3	102
Net outstandings customers loans and lease financings	289	2,000
Other assets	4	200
Total assets	**296**	**2,302**
Due to banks, customer deposits and debt securities issued	233	1,831
Other liabilities	10	77
Net Equity	53	394
Total liabilities	**296**	**2,302**
Net banking income	**29**	**125**
Net income	12	42
Other components of comprehensive income		(15)
Total comprehensive income	**12**	**27**
Net cash generated by operating activities	19	117
Net cash generated by financing activities	(26)	(25)
Net cash generated by investing activities		
Net increase/(decrease) in cash and cash equivalents	**(7)**	**92**

Percentages of voting rights are identical.

The amount of debt for puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €178m at 31 December 2016, against €143m at 31 December 2015.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €25m at 31 December 2016, against €29m at 31 December 2015.

In millions of euros - 31/12/2015 before intra-group elimination	Rombo Compania Financiera S.A.	BANCO RCI Brasil S.A.	CFI RCI Brasil
Country of location	Argentina	Brazil	Brazil
Percentage of capital held by non controlling interests	40.00%	39.89%	39.89%
Share in associates by non controlling interests	40.00%	39.89%	39.89%
Nature	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Full consolidation	Full consolidation
Net Income: Share in net income (loss) of associates and joint ventures	10	9	12
Equity: Investments in associates and joint ventures			
Dividends paid to non controlling interests (minority shareholders)			17
Cash, due from banks	7	39	100
Net outstandings customers loans and lease financings	189	189	1,591
Other assets	2	20	198
Total assets	**198**	**248**	**1,889**
Due to banks, customer deposits and debt securities issued	122		1,597
Other liabilities	10	46	47
Net Equity	66	202	245
Total liabilities	**198**	**248**	**1,889**
Net banking income	**46**	**45**	**92**
Net income	25	24	31
Other components of comprehensive income	1		15
Total comprehensive income	**26**	**24**	**46**
Net cash generated by operating activities	2	(1)	56
Net cash generated by financing activities			(71)
Net cash generated by investing activities			(1)
Net increase/(decrease) in cash and cash equivalents	**2**	**(1)**	**(16)**

C) SIGNIFICANT ASSOCIATES AND JOINT VENTURES

In millions of euros - 31/12/2016 before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	4	2	1
Investments in associates and joint ventures	41	25	31
Dividends received from associates and joint ventures			
Cash, due from banks	72	66	1
Net outstandings customers loans and lease financings	827	468	196
Other assets	32	7	20
Total assets	**931**	**541**	**217**
Due to banks, customer deposits and debt securities issued	720	478	38
Other liabilities	81	12	77
Net Equity	130	51	102
Total liabilities	**931**	**541**	**217**
Net banking income	**45**	**19**	**10**
Net income	14	5	2
Other components of comprehensive income	(3)		
Total comprehensive income	**11**	**5**	**2**
Net cash generated by operating activities	3	(40)	(59)
Net cash generated by financing activities	(6)	17	21
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**(3)**	**(23)**	**(38)**

In millions of euros - 31/12/2015 before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	2	2	
Investments in associates and joint ventures	32	17	23
Dividends received from associates and joint ventures			
Cash, due from banks	60	104	4
Net outstandings customers loans and lease financings	535	542	88
Other assets	54	10	25
Total assets	**649**	**656**	**117**
Due to banks, customer deposits and debt securities issued	531	615	
Other liabilities	21	6	39
Net Equity	97	35	78
Total liabilities	**649**	**656**	**117**
Net banking income	**29**	**15**	**6**
Net income	6	4	1
Other components of comprehensive income			
Total comprehensive income	**6**	**4**	**1**
Net cash generated by operating activities	(70)	60	(92)
Net cash generated by financing activities			42
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**(70)**	**60**	**(50)**

D) SIGNIFICANT RESTRICTIONS

The group has no significant restrictions on its ability to access or use its assets and settle its liabilities, other than those resulting from the regulatory framework in which its subsidiaries operate. Local supervisory authorities may require bank subsidiaries to maintain a certain level of capital and liquidities, to limit their exposure to other parts of the group and to comply with other ratios.

APPENDIX 1: INFORMATION ABOUT LOCATIONS AND OPERATIONS

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
Corporate	RCI Banque S.A.	Holding	434	139.2	71.0	(28.7)	(4.1)	
Germany	RCI Banque S.A. Niederlassung Deutschland RCI Versicherungs Service GmbH	Financing Services	327	184.3	126.5	(50.3)	(1.1)	
Argentina	RCI Banque Sucursal Argentina Rombo Compania Financiera S.A. Courtage S.A.	Financing Financing Services	39	54.7	39.0	(15.7)	1.7	
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	48	17.9	8.5	(2.4)	0.3	
Belgium	RCI Financial Services S.A. Autofin S.A. Renault Crédit Car S.A.	Financing Financing Financing	27	12.3	8.5	(3.0)		
Brazil	Administradora de Consórcio RCI Brasil Ltda Banco RCI Brasil S.A. Companhia de Crédito. Financiamento e Investimento RCI Brasil Corretora de Seguros RCI Brasil S.A.	Financing Financing Financing Services	133	135.8	80.1	(36.2)	5.3	
South Korea	RCI Financial Services Korea Co. Ltd	Financing	102	54.0	36.3	(8.6)	0.1	
Spain	Rci Banque S.A. Sucursal En España Overlease S.A.	Financing Financing	181	94.9	64.9	(12.8)	(7.8)	
France	Diac S.A. Diac Location S.A.	Financing Financing	905	346.2	184.3	(33.4)	(36.9)	
Hungary	RCI Zrt	Financing	5	1.8	0.9	(0.1)		
India	Nissan Renault Financial Services India Private Limited	Financing	148		0.7			
Ireland	RCI Banque Branch Ireland	Financing	27	12.1	6.4	(0.8)		
Italy	RCI Banque S.A. Succursale Italiana ES Mobility S.R.L.	Financing Financing	192	72.5	33.2	(11.2)	0.4	

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
Malta	RCI Services Ltd	Holding						
	RCI Insurance Ltd	Services	17	104.0	100.4	(15.2)	3.6	
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	36	22.8	9.9	(4.8)	0.6	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	34	14.3	8.8	(2.3)	0.4	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	56	24.2	16.8	(8.7)	4.4	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	40	15.3	8.6	(2.4)	0.2	
	RCI Gest - Instituição Financeira de Crédito, S.A.	Financing						
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	9.8	7.2	(1.6)	0.2	
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing						
	RCI Broker de asigurare S.R.L.	Services	66	11.9	8.0	(1.2)	(0.1)	
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	252	106.3	65.8	(7.8)	(0.9)	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	175	0.4	4.2	(0.1)		
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Bančna podružnica Ljubljana	Financing	23	6.2	1.6	(0.4)	(0.1)	
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	13	7.5	4.6	(0.8)	(0.2)	
Switzerland	RCI Finance S.A.	Financing	43	23.7	13.7	(3.5)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	58		2.5			
TOTAL			**3,403**	**1,472**	**912**	**(252)**	**(34)**	

APPENDIX 2: FINANCIAL RISKS

Refinancing and balance sheet management

The Finance and Cash Department is responsible for refinancing those of the group's entities that are eligible for centralized refinancing. It obtains the funds required to ensure continuity of business activity (issuance of bonds and other negotiable debt securities, securitization, money market borrowings, ...), balances assets and liabilities, and adjusts the cash positions of the group's companies, while managing and minimizing exposure to financial risks, through the use of interest rate swaps, currency swaps and spot and forward foreign exchange transactions.

The principles of the financial policy extend to all consolidated subsidiaries of the RCI Banque group and are adapted and applied in subsidiaries whose refinancing is not centralized.

All refinancing for subsidiaries in countries outside the Eurozone whose transfer and convertibility risk is deemed to be a material risk by RCI Banque is generally done locally to limit any cross-border risk. Group procedures do however allow the central refinancing office to grant occasional cross border funding to subsidiaries located in such countries if the funding is for a limited amount only or if there is an insurance policy covering the non-convertibility and non-transfer risk.

Such subsidiaries are also subject to the same financial risk monitoring requirements as other group subsidiaries. They must observe limits on interest rate risk and foreign exchange risk, monitor their liquidity risk, contain their counterparty risk and have in place specific monitoring of financial risk by means of a dedicated financial committee and special purpose reporting.

Transactions on financial instruments carried out by the RCI Banque holding are for the main part related to its central refinancing function for the group.

ORGANIZATION OF MARKET RISK MANAGEMENT

The specific market risk management system is part of the RCI Banque group's overall internal control system, and operates to standards approved by Renault as the shareholder. RCI Banque's Finance and Cash Department is responsible for managing market risks (aggregate risk arising from interest rate, liquidity and foreign exchange exposures) and for verifying compliance with allowable limits at the consolidated group level. The rules and ceilings are approved by the shareholder and are periodically updated. The Financial Risk team attached to the Permanent Control Department (Corporate Secretary's Office and Risk Management Department) is responsible for producing a daily report and overseeing the group's exposure to financial risks.

Foreign exchange instruments, interest rate instruments and currencies approved for use in managing market risks are specified on a list of authorized products validated by RCI Banque's Finance Committee.

MANAGING AGGREGATE INTEREST-RATE, FOREIGN EXCHANGE, COUNTERPARTY AND LIQUIDITY RISKS

INTEREST RATE RISK

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin.

The RCI Banque group's aim is to mitigate this risk as far as possible in order to protect its mark-up.

In order to take account of the difficulty of precisely adjusting the structure of borrowings to that of loans, limited flexibility is accepted in interest rate hedging by each subsidiary.

This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the finance committee, in an individual adaptation of part of the limit granted by Renault to the RCI Banque group.

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€11.8m
Not assigned:	€06,2m
Total sensitivity limit in €m granted by Renault to RCI Banque:	**€50m**

The sensitivity thus defined consists in measuring at a given point in time (t) the impact of a change in interest rates on the market price of an entity's balance sheet flows.

The market price is determined by the discounting of future cash flows at the market rates at point t.

Different scenarios for shifts in the yield curve are considered, including various shocks, of which the standardized 200 bps shock defined by IRRBB guidelines and a rotation shock scenario.

The scenario preferred by the RCI Banque group is a calculation of sensitivity at a uniform increase of 100 basis points in interest rates on all maturities. The calculation is based on average monthly asset and liability gaps.

Maturities of in-force business are determined by taking into account the contractual characteristics of transactions and the results of the modeling of historical customer behavior patterns (early repayment, etc.), supplemented by assumptions about certain aggregates (owners' equity, etc.).

Sensitivity is calculated daily per currency and per management entity (central refinancing office, French and foreign sales financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk Team attached to the Permanent Control Department (Company Secretary's Office and Risk Management Department).

The situation of each entity with regard to its limit is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate.

The results of controls are the subject of monthly reporting to the finance committee, which checks that positions are in line with the group's financial strategy and with prevailing procedural memoranda.

At 31 December 2016, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€40m until 05/12, €50m since then).

At 31 December 2016, a 100-basis point rise in rates would have an impact of:

+€12.3m in EUR,
-€0.1m in ARS
-€0.1m in BRL,
+€3.6m in CHF,
+€0.5m in GBP,
-€0.1m in KRW,
+€1.4m in MAD,
+€0.3m in PLN.

The absolute sensitivity values in each currency totaled €18.6m.

ANALYSIS OF THE STRUCTURAL RATE HIGHLIGHTS THE FOLLOWING POINTS:

SALES FINANCING SUBSIDIARIES

Virtually all loans to customers by sales financing subsidiaries are granted at a fixed rate for terms of one to seventy-two months.

These loans are hedged by fixed-rate resources having the same structure. They are backed by macro-hedging and only generate a residual interest rate risk.

In subsidiaries where the resource is at a floating rate, interest rate risk is hedged by macro-hedging interest rate swaps.

CENTRAL REFINANCING OFFICE

RCI Holding's main activity is to refinance the group's commercial subsidiaries.

The in-force business of the sales financing subsidiaries is backed by fixed-rate resources, some of which are micro-hedged by interest rate swaps and by variable rate resources.

Macro-hedging transactions in the form of interest rate swaps keep the sensitivity of the holding company below the limit set by the group (€27m until 20/12, €32m since then).

These swaps and the securities available for sale are measured at fair value by reserves in accordance with IFRS.

Monthly tests are carried out to ascertain:

- the effectiveness of the hedging of fixed-rate resources by the interest rate swaps assigned to micro-hedge them;

- the relevance of macro-hedging transactions, by setting them against the variable rate resources.

These data are calculated on the basis of simplified scenarios, working on the assumption that all positions run to maturity and that they are not readjusted to factor in new market conditions.

The sensitivity of reserves to a change in interest rates as presented above would in no way be representative of an impact on future results.

LIQUIDITY RISK

RCI Banque pays great attention to diversifying its sources of access to liquidity.

To that end, RCI Banque imposes stringent internal standards on itself.

RCI Banque's oversight of liquidity risk is based on the following:

Static liquidity

This indicator measures the difference (gap) between existing liabilities and assets at a given date without any assumptions as to the renewal of liabilities or assets. It gives a point-in-time snapshot of the liquidity position, or static liquidity gap. The group's policy is refinance its assets by means of liabilities with a longer maturity, thus maintaining positive static liquidity gaps across all areas of the balance sheet.

Liquidity reserve

The liquidity reserve is a source of emergency liquidity that can be used by RCI Banque in the event of necessity. It consists of High Quality Liquid Assets (HQLA) as defined by the Basel Committee for calculating the liquidity coverage ratio (LCR), short-term financial assets not recognized as HQLA by the Basel Committee, confirmed bilateral lines of credit and assets eligible as collateral in European Central

Bank (ECB) transactions not already counted as HQLA or short-term financial assets. Minimum and adequate liquidity reserve levels are determined every six months within the centralized refinancing scope and for physical entities whose refinancing is local.

Stress scenarios

Every month, the Finance Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.

FOREIGN EXCHANGE RISK

Since May 2009, RCI Banque has been authorized by France's Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR) to exclude durable and structural assets from its foreign exchange exposure, given its compliance with the conditions set out in Article 331 of the Order dated 20 February 2007.

Consequently, as its foreign exchange position is below the 2% of capital threshold set in Article 293-2 of the Order dated 20 February 2007, RCI Banque no longer calculates capital requirements for the foreign exchange risk.

CENTRAL REFINANCING UNIT

The forex position of RCI Banque S.A., the central refinancing unit, which historically is very low, stayed under €3m throughout the year.

No position is accepted within the framework of refinancing management. In this respect, the trading room secures the systematic hedging of all flows concerned.

Residual and temporary positions in currencies, related to cash flow timing differences inherent in multi-currency cash management, may, however, remain. Any such positions are monitored daily and are subject to the same hedging concern.

Any other forex transactions (in particular for the anticipated hedging of projected dividends) may only be initiated further to the decision of the head of the Finance and Cash Department.

SALES FINANCING SUBSIDIARIES

Sales financing subsidiaries are required to refinance themselves in their own currency and thus are not exposed.

By way of exception, limits are allocated to subsidiaries whose sales financing operations or refinancing are multi-currency, and to those that are authorized to invest some of their cash surpluses in a currency other than their domestic currency.

The RCI Banque group's overall limit granted by the Renault shareholder is €17m.

At 31 December 2016, the RCI Banque group's consolidated forex position is €8.85m.

COUNTERPARTY RISK

RCI Banque's exposure to bank counterparty risk arises from various market transactions made by the group's entities as part of their everyday business (investment of cash surpluses, interest rate or forex hedging, investments in liquid assets, etc.).

Transactions are made with first-class banks and counterparty risk on market transactions is managed with a system of limits set by RCI Banque and then approved by Renault as part of the Group-wide consolidation of counterparty risks. Limits are set using an internal rating method based on capital adequacy, long-term ratings by credit agencies and a qualitative appraisal of the counterparty.

Compliance with these limits is monitored daily. All the results of controls are communicated monthly to the RCI Banque finance committee and integrated into the consolidated monitoring of Renault Group counterparty risk.

In addition to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI has a portfolio of investments in liquid assets. Limits on the amount and maturity of the latter are set for each issuer.

RCI has also invested in money market funds, corporate bonds and a fund whose assets consist of debt securities issued by European agencies, sovereigns and by supranational issuers. Each of these investments is subject to a specific limit approved by the finance committee and reviewed at least once a year.

Occasional authorization is also granted to sales refinancing subsidiaries so that they can invest in treasury bills or Central Bank notes in their home countries.

These limits are also monitored daily and are reported monthly to the RCI Banque finance committee.

In the case of finance entities, risk takes into account cash exposure (deposits and accrued interest) and exposure on derivatives calculated using the internal fixed-rate method presented hereafter.

Fixed-rate method

Exposure to counterparty risk is measured using weighting factors which depend on the type of instrument and the duration of the transaction.

Residual term	Rate factor (as a% of the nominal)	Initial term	Foreign exchange factor (as a% of the nominal)
Between 0 and 1 year	2%	Between 0 and 1 year	6%
Between 1 and 2 years	5%	Between 1 and 2 years	18%
Between 2 and 3 years	8%	Between 2 and 3 years	22%
Between 3 and 4 years	11%	Between 3 and 4 years	26%
Between 4 and 5 years	14%	Between 4 and 5 years	30%
Between 5 and 6 years	17%	Between 5 and 6 years	34%
Between 6 and 7 years	20%	Between 6 and 7 years	38%
Between 7 and 8 years	23%	Between 7 and 8 years	42%
Between 8 and 9 years	26%	Between 8 and 9 years	46%
Between 9 and 10 years	29%	Between 9 and 10 years	50%

These factors are intentionally higher than those stipulated by capital adequacy regulations, which is a deliberately prudent and conservative approach given current market conditions. No netting is made between risks relating to positions that neutralize each other with the same counterparty.

To ensure that this method is conservative, exposure on derivatives is recalculated at regular intervals using the regulatory “positive mark to market + add-on” method presented below:

“Positive mark to market + add-on” method:

This method is based on the so-called "major risks" regulatory method. Exposure for derivatives (rate and foreign exchange) is calculated as the sum of potential losses, calculated on the basis of the replacement value of the contracts with the counterparty without netting with potential gains, plus an “add-on” representing the potential future risk. This potential future risk is determined by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 274) as follows:

Residual term	Interest rate options (as a% of the nominal)	Foreign currency and gold options (as a% of the nominal)
<= 1 year	0%	1%
1 year < term <= 5 years	0.50%	5%
> 5 years	1.50%	7.50%

According to the "positive mark to market + add-on" method, the equivalent counterparty risk is €328m at 31 December 2016, against €483m at 31 December 2015. According to the fixed-rate method, it is €1,002m at 31 December 2016, against €1,302m at 31 December 2015.

These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.

Bank guarantees received are subject to specific monitoring.

SOCIAL AND ENVIRONMENTAL INFORMATION

Corporate	Contents	Comments
EMPLOYMENT		
The total number and distribution of employees by gender and by geographical area	Key figures p. 180 - 181	
Hiring and firing of employees	Key figures p. 180 - 181	
Current salaries and salary progression	§1.2 - p. 182	
WORK ORGANIZATION		
Working time organization	Key figures p. 181 and §1.4 - p. 186	Working time and working hours are organized and determined as locally as possible, for example using framework agreements (e.g. France and Spain).
Absenteeism	Key figures p. 181	
LABOR RELATIONS		
Organization of social dialogue	§1.5 - p. 186	
Collective bargaining agreements	§1.5 - p. 186	
HEALTH AND SAFETY		
Occupational health and safety conditions	§1.4 - p. 186	
Agreements signed with trade union and staff representative organizations		
Occupational accidents (including frequency/severity) and occupational diseases and illnesses		Because of the nature of the RCI Banque group's business activities, this indicator is of little relevance.
TRAINING		
Training policies implemented	§1.1 - p. 182	
Total number of training hours	§1.1 - p. 182	
DIVERSITY AND EQUAL OPPORTUNITIES/EQUAL TREATMENT		
Measures taken to promote equality between men and women	§1.5 - p. 186	
Measures taken to promote the employment and integration of disabled persons	§1.4 - p. 186	
Measures taken to prevent discrimination	§1.4 and §1.5 p. 186	

Corporate	Contents	Comments
PROMOTION AND ENFORCEMENT OF THE INTERNATIONAL LABOR ORGANIZATION'S BASIC CONVENTIONS		
Elimination of discrimination in employment	§ 1.5 - p. 186	
Freedom of association and right to collective bargaining	-	
Elimination of forced or compulsory labor	-	The RCI Banque group is firmly committed to the four basic principles set out here. Moreover, compliance with them is basically a requirement by law in the countries where the group operates.
Abolition of child labor	-	
TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES		
On employment and regional development	Key figures p. 188 - 189	
On neighboring and local populations	§2.2 - p. 190	
RELATIONS WITH INDIVIDUALS OR ORGANIZATIONS INTERESTED IN THE COMPANY'S ACTIVITIES		
Conditions of dialogue with these individuals or organizations	§2.3 - p. 191	In addition to its business relations with its different customers, the RCI Banque group also maintains relations with its local fabric.
Partnership or corporate philanthropy	§2.2 - p. 190	
SUBCONTRACTING AND SUPPLIERS		
Taking into account social and environmental issues in purchasing policies	-	Because of the nature of the RCI Banque group's business activities, this indicator is of little relevance.
Importance of outsourced work, suppliers and subcontractors and the inclusion of their social and environmental responsibilities	-	Because of the nature of the RCI Banque group's business activities, this indicator is of little relevance.
LOYALTY PRACTICES		
Action taken to prevent corruption	§2.2 - p. 190	
Measures taken to promote consumers' health and safety	§2.3 - p. 191	
OTHER ACTION TAKEN TO PROMOTE HUMAN RIGHTS		
Action taken to promote human rights	-	RCI Banque is committed to respecting human rights in all countries where it operates.

STATUTORY AUDITORS' REPORT

Year ended 31 December 2016

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC[1], under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company RCI Banque, we present our report on the consolidated social, environmental and societal information established for the year ended on the 31 December 2016, presented in the management report, hereafter referred to as the "CSR Information," pursuant to the provisions of the article L.225-102-1 of the French Commercial Code *(Code de commerce)*.

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R.225-105 of the French Commercial Code *(Code de commerce)*, in accordance with the protocols used by the company which are instructions for HR reporting (hereafter referred to as the "Criteria"), and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L.822-11 of the French Commercial Code *(Code de commerce)*. In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R.225-105 of the French Commercial Code *(Code de commerce)* (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria.

Our verification work mobilized the skills of two people between November 2016 and the date of signature of our report for an estimated duration of three weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness, in accordance with the international standard ISAE 3000[2].

[1] Scope available at www.cofrac.fr

[2] ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

1. Attestation of presence of CSR Information

Nature and scope of the work

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R.225-105-1 of the French Commercial Code *(Code de commerce).*

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R.225-105-1, paragraph 3, of the French Commercial code *(Code de commerce).*

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial Code *(Code de commerce)* with the limitations specified in the management report, such as the dispensation for limited information about environmental issues.

Conclusion

Based on this work, and given the limitations mentioned above we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook several interviews with the people responsible for the preparation of the CSR Information in various departments, namely General Secretary, Management Control and Human Resources, the people in charge of the data collection process and, if applicable, with the people responsible for internal control processes and risk management, in order to:

- Assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- Verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR Information which we considered the most important[3] at the level of the entity, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Eventually, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information.

We consider that the sample methods and the sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Paris-La Défense, the 13 February 2017

French original signed by:

Independent Verifier
ERNST & YOUNG et Associés

Caroline Delerable
Exert, Cleantech & Sustainability

Olivier Durand
Partner

[3] **Social information:** employment (total headcount and breakdown, hiring and terminations, remunerations and their evolution), organisation of working time, absenteeism, training policies, number of training hours, employment and inclusion of disabled people.
Societal information: territorial economic and social impact (employment, regional development, impact on regional and local populations), relation with stakeholders (conditions for dialogue, partnership or sponsorship), business ethics (actions undertaken to prevent bribery and corruption, measures undertaken in favour of consumers' health and safety).

I - GRENELLE II

The following chapter meets the provisions of the Grenelle II Act.

It relates to action by the RCI Banque group in relation to its corporate commitment towards its employees, to its broader commitment towards the society in which it operates and to the environment. RCI Banque's prime responsibility is to its employees. It has always put people at the heart of its business, and firmly believes that the men and women who work for the group are its most important asset. The group's employees not only deliver performance but are also the ones who drive the innovation needed to prepare it for tomorrow's challenges.

As the Alliance brand financing company, RCI Bank and Services' role is to provide a range of solutions in financing and services for the brands' customers so as to facilitate their access to vehicle use.

It is also a services-oriented bank that makes life easier for its customers by offering them appropriate auto-mobility solutions tailored to their needs.

What is auto-mobility? Auto-mobility is the combination of intuitive and digital solutions that enable people to travel in an ever-simpler way, in complete freedom.

Our ambition is to be recognized by our customers as a benchmark in the auto-mobility market, a company with the ability to reinvent itself, to put the customer of the heart of its strategy.

To achieve this, RCI Banque needs talented people to create, finance, guarantee, manage and sell our services.

Fuelled by the continuing expansion of our business activities worldwide, we are proud to be able to help make vehicle use and auto-mobility services accessible to everyone.

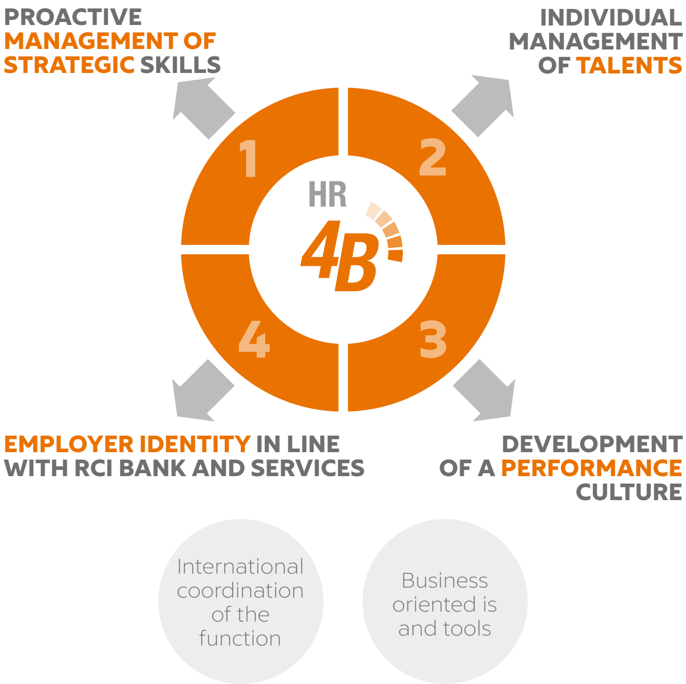
We are doing this by promoting a spirit of innovation and a winning mindset. Because our customers are many and diverse, we take on men and women from all kinds of background, who are passionate about what they do, who care, and who are strongly committed to creating performance in their work, and quality in the service provided to customers.

We will support them in their careers and career development by way of a proactive training policy that focuses on up-skilling and versatility within a people-friendly company open to new ideas, and where sharing and team spirit are a priority.

The RCI Banque group's human resources policy focuses on four key areas:

- developing skills and talents;
- rewarding performance in a fair and competitive way;
- promoting high quality management;
- strengthening individual motivation and commitment.

2016 was the final year of the three-year strategic plan and of its HR component "Human Resources for Business", an HR strategy designed to strengthen employee motivation and performance.



During the D4B plan period, RCI Banque undertook action in various areas to further its policy on young people, management development, and the strengthening of skills by increasing qualified resources. RCI Banque is mindful of the conditions in which its employees work and of their wellbeing, encouraging the provision of modern workspaces and the option of working from home.

1. CORPORATE PROVISIONS AND COMMITMENT TOWARDS EMPLOYEES

RCI BANQUE'S HUMAN RESOURCES

KEY FIGURES

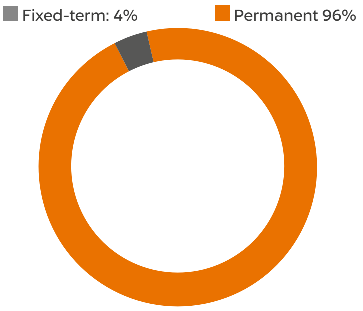
Workforce

The consolidated group has employees in 23 countries, which are grouped together into five regions:

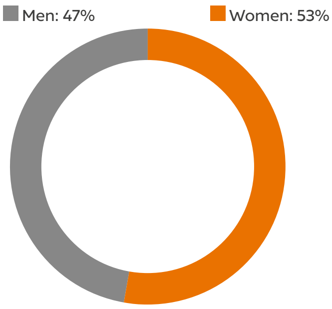
Number of employees by region	Dec-15	% of total	Dec-16	% of total	Change in % of total
Europe	2,651	88	2,762	89	4
of which France	*1,363*	*45*	*1,413*	*45*	*4*
Asia-Pacific	84	3	93	3	11
Americas	147	6	152	5	3
Africa - Middle-East - India	29	1	34	1	17
Eurasia	68	2	68	2	0
Total	**2,979**	**100**	**3,109**	**100**	**4**

Distribution of employees

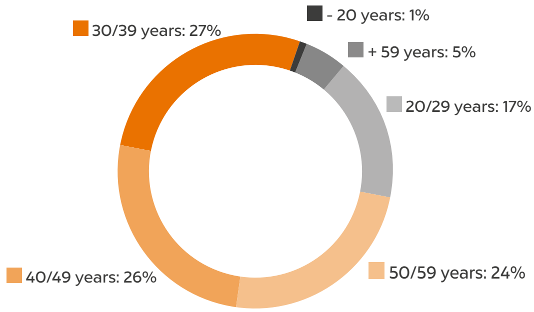
By type of employment contract



By gender Fixed-term + Permanent



By age Fixed-term + Permanent



During the course of 2016, RCI Banque appointed 258 employees (against 351 in 2015) on permanent employment contracts, equivalent to 8.3% of the total workforce in the scope considered.

Distribution of departures

During the course of 2016, 154 employees on permanent employment contracts left the RCI Banque group, of which 49 redundancies/dismissals.

Absenteeism

Distribution of absenteeism.
This rate includes absences for illness and occupational accidents. It does not include paid annual leave, family events or unpaid leave.

Country	2016 Absenteeism rate
Argentina	0.8%
Austria	3.9%
Belgium	7.5%
Brazil	1.0%
France	2.7%
Germany	6.1%
Italy	1.8%
Netherlands	4.5%
Poland	2.9%
Portugal	0.3%
Romania	0.8%
South Korea	0.6%
Spain	1.2%
Switzerland	1.1%
United Kingdom	0.9%
Group	2.6%

The overall absenteeism rate for 2016 was 2.6% over the scope considered.

Theoretical length of the working week in the main countries

Country	Length of the working week
Argentina	45
Austria	38.5
Belgium	39
Brazil	40
France	38.75
Germany	39
Italy	39
Netherlands	38
Poland	40
Portugal	37.5
Romania	40
South Korea	40
Spain	36
Switzerland	41
United Kingdom	37.5

1.1. GOVERNANCE

Before detailing the achievements characterizing the RCI Banque group's commitment to its employees in 2016, it should be remembered that significant changes to its governance structure, pursuant to the Capital Requirements Directive IV (new European banking regulations), its transposition into France's Monetary and Financial Code (Code Monétaire et Financier) and the subsequent changes made to CRBF (Comité de la réglementation bancaire et financière - France's banking and finance regulatory body) regulations, have been effective since 1 October 2014.

Since that date, the RCI Banque group has had a separate Chairman and CEO. Changes have also been brought to the group's governance bodies, with the creation of and/or adjustments made to the Board of Directors and the following governance bodies: Accounts and Audit Committee, Risk Committee, Nomination Committee, Remuneration Committee.

In 2016, four Nomination Committee meetings and two Remuneration Committee meetings were held, attended by representatives from the RCI Banque group's Board of Directors.

1.2. DEVELOPMENT OF SKILLS AND TALENTS

In 2016, RCI Banque conducted a review of the actions implemented under its strategic plan. At the same time, the group invested in preparations for future challenges in the finance and services world.

Following an introductory mission to the United States in 2015, a new learning expedition was organized, this time to China. During this expedition, the group's top managers were able to find out more about financing and services practices in the country. China is very advanced in this field with the strong development of, for example, peer-to-peer platforms, electronic payment means provided by online retail operators, and online insurance products. The size of the Chinese market allows new businesses to be tested on a large scale and encourages close cooperation between developers and marketing managers.

This expedition confirmed the challenge of transforming business models in line with digitalization and the need to get the company ready for the digital world.

With this in mind, RCI launched an innovation competition called "Start Me Up", developed a scheme called "Go, Learn and Enjoy" to culturally adapt the group to digital change, innovation and customer culture, established new types of partnership with universities, and at the end of the year, set up an Innovation division that has a unit in Silicon Valley.

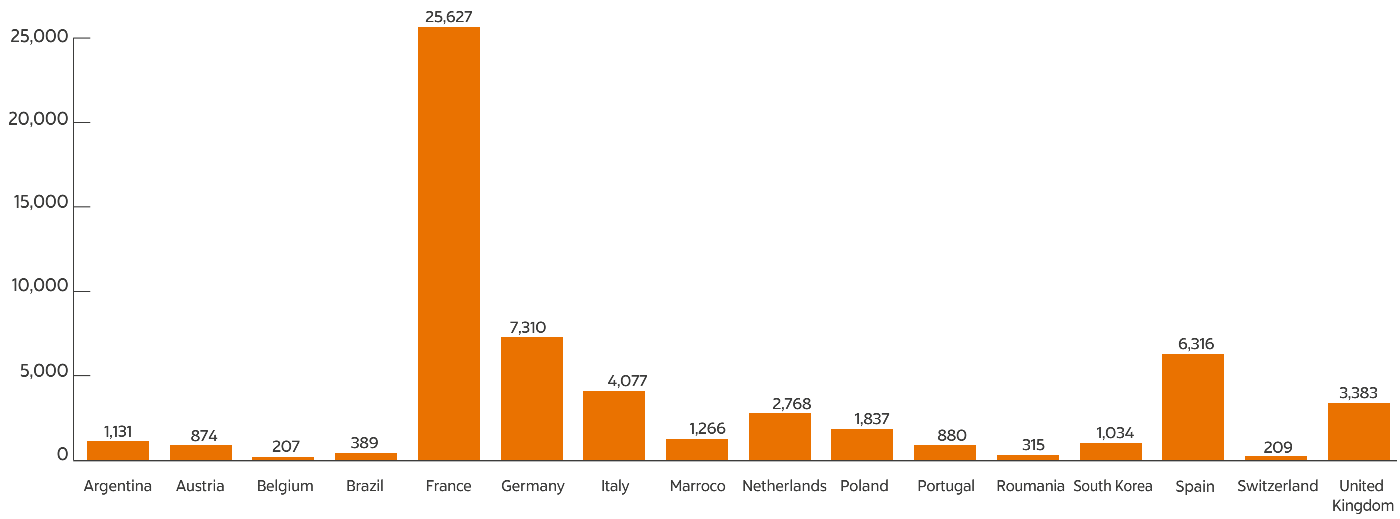
Training

RCI Banque makes every effort to provide training for each and every one of its employees, regardless of their age, status or position within the group

With that aim in mind, the group's offer covers all areas of vocational training, from specific training for each area of work, job and profession in the company, to more individual action geared towards personal development or the acquisition of language or cross-disciplinary skills.

The aggregate number of hours of paid training received by employees in 2016 came to a total of approximately 61,000 hours, of which just over 57,000 hours in the main countries.

Hours of paid training per country in 2016



In line with the initiatives seen in 2014 and 2015, a number of important training programs continued in 2016 in connection with the development of new businesses and lines of work. These programs, designed for both employees working in RCI Banque's Corporate departments and those doing related jobs in the subsidiaries, were in addition to the more traditional training programs available.

For instance, the third and final module of the comprehensive training course initiated in 2015 was taught to the Chief Financial Officers of RCI's subsidiaries worldwide, through the finalization of business cases. Jointly facilitated by a specialist external organization and business experts from the Corporate divisions, these modules were rated as excellent by the beneficiaries. The operation continued through 2016.

Appraisal by means of individual reviews

At RCI Banque, the individual review is an important time for dialogue between each employee and his or her line manager. It provides an opportunity to review the employee's performance over the past year, to set objectives for the coming year and to explain their contribution to the company's performance. During their individual reviews, employees also have a chance to formally express their training needs and to discuss their career development prospects in detail with their line manager.

In this area, a new information system dedicated to talent development (Talent@Renault) has been introduced at RCI Banque. The first module, which enables individual reviews to be carried out online, was rolled out in five countries in 2013 and then gradually extended to all RCI Banque group entities in 2015 and 2016.

Talent@Renault is also used as support in the collective assessment by managers of a/ how employees bring their knowledge and skill to their job, and b/ their career development potential.

This evaluation process, known as a "people review", is carried out pre-individual review campaign. Its collective nature helps to bring objectivity to the assessments of employees by managers during individual reviews. Managers express their great satisfaction with the tool, which is now in widespread use in RCI. If necessary, it also enables comparisons to be made with other entities in the Renault Group where it is used.

Career development and mobility

A new Talent@Renault has been rolled out, which concerns the management of job mobility. Since February 2016, it has provided access to new tools for:

- documenting career reviews between managers and employees;
- publishing internal vacancies;
- applying directly for internal vacancies, including with the Renault Group.

This development will help positions to be filled and promote internal mobility, while improving the match between the company's requirements and employees' wishes.

To boost internal mobility still further, a "career gateway matrix" was produced in 2015.

This matrix is a guide for managers and meets several objectives:

- clarify possible career pathways;
- promote and facilitate job mobility, including cross-disciplinary mobility;
- ensure success of internal job mobility.

As things currently stand, the career gateway matrix brings together the Corporate and France functions as well as those represented in the subsidiaries' management committees.

It is based on job grading (see below) and includes all jobs assessed in this way (i.e. in France, management/executive jobs). These are arranged in rows and columns in the matrix.

Thus, the matrix makes it easy to work out:

- starting from a source job (i.e. the employee's current job), which jobs an employee might hope to do;
- starting from a target job (i.e. the position targeted by the employee), which jobs lead to that position;
- by combining these two methods, it is possible to build one or more career paths by identifying the intermediate positions between and employee's current job and the targeted position.

These gateways are identified according to their difficulty:

- move possible in return for light training/adaptation and including a short adaptation period (logical development);
- move possible in return for training/adaptation over a period of less than two years;
- move difficult (lengthy training/adaptation);
- no gateway possible or non-relevant move.

More than 800 gateways have already been identified by the HR function and validated by the RCI Banque group's business experts. Both the trade union organizations and Management have warmly welcomed their unveiling.

The matrix is mainly intended to be used during people reviews, and in preparation for individual reviews and career committee meetings.

Individual management of talents

The RCI Banque group has identified some 110 jobs, i.e. just under 4% of jobs, as key jobs.

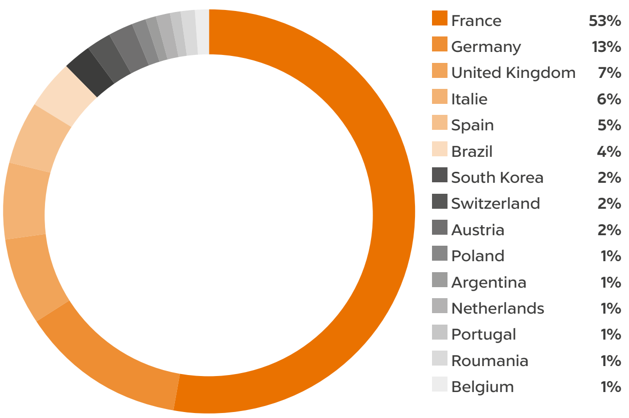
To secure the filling of these posts, which is managed by the Career Committee, the company carries out a selection process to identify high potential employees according to clearly defined criteria.

Candidates are put forward by HR Directors and Managers from Corporate and subsidiary departments to the group's Executive Committee, meeting as the Career Committee, for examination and approval.

Employees selected and included on the list of high potential employees are monitored very carefully and benefit from special career path and salary progression measures.

1.3. MANAGEMENT OF THE WAGE AND SALARY BILL AND REMUNERATION POLICY

In 2016, personnel costs came to a total of €240.2m, of which €223.0m for the main countries.



Every year, RCI Corporate defines an annual pay variation for each country.

Each country then draws up its pay policy within that framework. For example, it may decide to award general (collective) pay increases and/or individual increases according to different categories (e.g. non managers/ managers) and national legislation, as well as bonuses. In France more particularly, the pay policy includes mandatory annual negotiations (négociation annuelle obligatoire, or NAO) required by law.

In 2014, the RCI Banque group, with the Renault Group, developed a "levels of responsibility" reference base.

Under this reference base, all jobs in RCI are classified, or graded, according to the "weight" of the responsibilities or accountabilities they entail. This is known as "job grading", which could be summarized as the mapping of job levels. The reference base was developed using the methodology promoted by the Hay Group, an organization that is particularly well known in the job evaluation and grading field.

This job grading system, which is already widely used by a number of large companies worldwide, has a number of key advantages. For example, it delivers:

1 - greater clarity and consistency to the organization;

2 - facilitation of career paths, by providing individuals with input for thought about their career development and mobility;

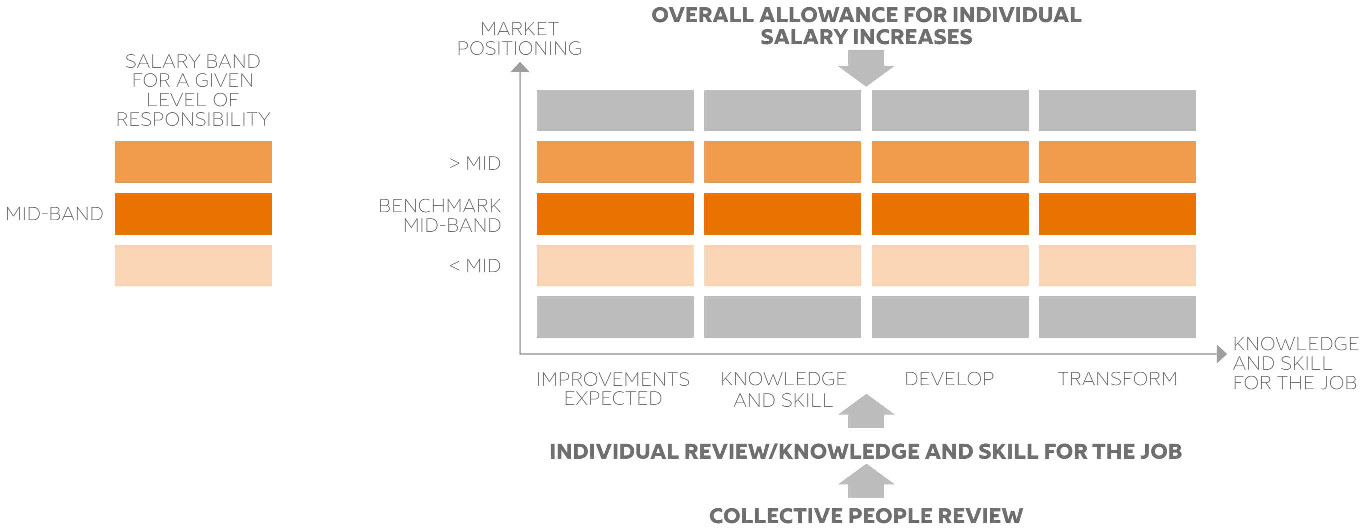
3 - clarification of the link between responsibility/ accountability, performance and reward, and therefore greater transparency and fairness in employee salaries.

For each level of responsibility/accountability (job grade), there is a salary band benchmarked against the market in the country under consideration. Market positioning enables salaries for jobs with the same level of responsibility/ accountability to be compared with local salary levels.

In countries where the levels of responsibility/accountability (job grading) reference base has been rolled out, such as in France for employees with executive/management status, the salary reviews forming the 2016 "promotion plan" used this system.

Managers in this way have a decision support tool, enabling them to award relevant individual salary reviews based on 1/ the overall allowance allocated by the company for individual salary increases, 2/ the positioning of the employee's salary in the benchmark salary band for his/her level of responsibility/ accountability (job grade) and 3/ the employee's level of knowledge and skill for the job. Use of this tool has been confirmed for the coming years.

The following diagram summarizes this process:



In conclusion, with the new HR evaluation and remuneration processes and tools used within the RCI Banque group, the company is equipping itself with a more efficient reward system:

- the level of responsibility/accountability determines the salary for the job;
- knowledge and skill for the job determines the individual's basic salary;
- the results achieved in relation to the targets set annually determine the reward paid for performance;
- these three components combined form the overall individual salary.

Employee savings

Diac's (RCI Banque in France) company savings plan (Plan Épargne Entreprise) is intended to encourage the build-up of a collective reserve and offer Diac group employees the chance to build up a portfolio of securities with the company's help.

The company savings plan has four unit trusts for employees to choose from in addition to an inaccessible special-purpose current account, as follows:

- Amundi Label Monétaire F
- Amundi Label Equilibre Solidaire F (socially-responsible investment fund)
- CPR ES Croissance
- Amundi Label Dynamique F

Employees are able to make voluntary payments into the plan of up to 25% of their annual pay. They receive a bonus contribution from the company of 27.5% of those voluntary payments, up to a maximum of €1,210 gross per year.

1.4. PROMOTION OF HIGH QUALITY MANAGEMENT

The Renault Group has had a management charter entitled the "Renault Management Way" (RMW) for a number of years. Based on the values of the Renault Group, this charter underlines the roles and responsibilities of managers as "leaders, coaches and pathfinders" for their teams. All managers in the RCI Banque group have received training to ensure that they grasp and embrace the principles of RMW.

In addition to its inclusion in the Renault system, RCI Banque has established its own "Managerial Gatherings" in France, the purpose of which is to examine in greater depth the values of the RMW using original approaches. These gatherings consist of conferences given by outside speakers (from the worlds of sport, culture and business, etc.) and are usually attended by around one hundred people.

In 2016, RCI Banque played host to Laurent Petitgirard, Director of the Colonne Orchestra, Chairman of the Board of Directors of the SACEM, Chairman of the Péniche Opera and Member of the Academy of Fine Arts.

Research conducted among audiences after each managerial gathering confirms not only that they are interested in such events, but also that they make a useful contribution to their daily management work.

1.5. REINFORCEMENT OF INDIVIDUAL MOTIVATION AND COMMITMENT

The RCI Banque group pays very special attention to the wellbeing of its employees in the workplace, and in this respect, agrees with the expectations expressed by employees in internal surveys.

Health cover

At the end of 2011 and before any legal requirement for it to do so, Diac decided to introduce a mandatory insurance policy for its employees with a mutuelle (insurance company providing complementary health cover), and to pay a contribution towards the premiums payable. This came into effect in January 2012.

The company, consulting fully with the unions and employee representatives, made the decision to introduce this mandatory health insurance, a solution that offers greater flexibility to employees already present in the company, on a unilateral basis.

Discussions were also held with the unions and employee representatives about the level of cover and the contribution to be made by the company, as a result of which it currently pays between 32% and 45% of the premiums payable.

At the start of 2016 and in line with changes made to the regulations, the company increased its contribution to 50% of the mandatory premiums payable. Alongside this, the company and trade union organizations decided by mutual agreement to examine the Renault Group's new complementary health cover agreement, which was substantially amended in June 2016. Following in-depth analysis, in October 2016 the company and all of the trade union organizations signed an agreement to sign up to the Renault Group's new complementary health cover agreement, to come into effect on 1 January 2017.

Thus, after being a forerunner in the field of employee health cover and acting before being legally required to do so, DIAC and its trade union organizations have opted to join forces with the Renault Group. As a result of the ensuing volume effect, DIAC employees will enjoy even better health cover at even more attractive prices than before.

Well-being in the workplace

RCI Banque attaches great importance, particularly in France, to the prevention of psychosocial risks in the workplace.

Various surveys have been carried out among all employees on all sites in France in order to measure stress factors and their impact on employees.

Surveys to measure occupational stress carried out first in 2010 and then again in 2012 (by a specialist firm) showed that the level of "overstress" experienced was within reasonable limits and less than the average seen in the sector.

Using the findings of these surveys as a basis, Diac developed its occupational stress prevention action plan, which was approved by all trade union organizations.

This plan includes three levels of prevention:

- Primary: reduce and even remove sources of occupational stress;
- Secondary: correct the effects of stress;
- Tertiary: take care of individuals who are particularly concerned by occupational stress.

Within this framework, several kinds of action have been put in place:

- creation of stress, anxiety and depression medical monitoring (Observatoire médical du stress, de l'anxiété et de la dépression, or OMSAD): this is an assessment questionnaire which each employee is asked to fill in at the time of their annual medical and is then analyzed on an individual basis with the doctor carrying out the medical;
- introduction of relaxation workshops run by nurses.

In 2013, the psychosocial risk prevention plan saw a new development, with psychological support for individuals suffering from stress provided by specialists supervised by the occupational medical officer. This system has now been made permanent.

The psychosocial risk prevention plan is regularly assessed and consequently updated in cooperation with the trade unions and employee representative bodies. For example, in March 2016, a large number of improvements were discussed with the trade union organizations and formally approved by them in April 2016.

RCI also endeavors to continuously improve the rooms that it makes available to its employees, with a particular focus on co-working and relaxation rooms. For example, RCI Banque in Italy has set up a new relaxation area and fitted out a number of meeting rooms.

RCI in the Netherlands has fitted new height-adjustable desks and new office equipment to tackle the new health problems caused by people remaining seated for too long.

Last February, our company's head office celebrated our new trade name RCI Bank and Services by decorating its premises with the visual elements that form the basis of our new identity (colors, pictograms and pictures). Although initially temporary, the scheme has evolved into something more permanent. The aim is for employees and visitors to be increasingly immersed in the visual codes identifying RCI Bank and Services.

The design refresh and new illustrations reflect the focus on auto-mobility, connectivity and collaborative spirit.

Inclusion in employment of disabled people

Summary of the number of disabled individuals employed in the countries mentioned in this report:

	Number of disabled individuals 2015	Number of disabled individuals 2016
Germany	9	9
Spain	2	2
France	29	29
Italy	8	8
Malta	0	1
Netherlands	1	1
TOTAL	**49**	**50**

This year, RCI Netherlands also hired a number of temporary administrative staff with mental limitations.

Equality between men and women in the workplace and work-life balance

RCI Banque is also very careful to ensure equality between its male and female employees in the workplace, and that they are all able to achieve a balance between their work and private lives.

In France, as the 2011 agreement on "equality between women and men in the workplace and on reconciliation of work and family life" signed with all trade union organizations has been implemented, its effects have gradually been reinforced. The agreement includes a number of particularly significant measures, including:

- salary realignment for female employees. Under this provision, 30 female employees were repositioned in 2016, following an analysis of their career histories;
- RCI Banque's participation in a network of inter-company nurseries. This scheme allows young parents to apply for and be awarded nursery places at public nursery prices. Fifteen infant places were offered and taken up. At a follow-up meeting on the agreement with the trade union organizations, the latter again underlined how satisfied the families benefiting from this measure were.

The 2011 agreement, which was initially signed for a three-year period, was renegotiated at the end of 2014. Management and the trade union organizations restated their determination to actively promote equality between women and men in the workplace and the reconciliation of work and family life.

The new agreement was signed on 19 March 2015 by Management and the CFDT and SNB trade union organizations.

One of the measures introduced in 2015 is the possibility for employees to "donate" their days off to colleagues responsible for a child with a particularly serious illness, disability or injury requiring constant attention and care. To show its solidarity, the company contributes an equivalent number of days off to the employee to that donated by his/her colleagues.

In the Netherlands, RCI Banque was recognized as a family-friendly company by Secretary of State Van Rijn at La Hague on 10 November 2015. According to the minister, the subsidiary plays a leading role in the automotive sector in terms of social wellbeing, particularly in respecting its employees' work-life balance.

RCI Banque Spain has been certified "Fundacion Mas Familia" by AENOR, under the "Conciliacion" program. The task of this organization is to design solutions in the social field, for instance to prevent social inequality and promote a healthy work-life balance.

Teleworking is also an aspect of RCI's efforts to help its employees achieve a better work-life balance.

At the end of the experimental initiative stage, which particularly concerned the IT and Human Resources Departments, on 20 December 2013 Management and the trade union organizations signed a company-wide agreement aimed at gradually extending teleworking within the company and making it more widespread. This agreement was followed by a number of new applications from employees wishing to work from home, and RCI Banque now has a total of eighty-three employees in teleworking arrangements in France.

A number of other countries, for example Spain and the Netherlands, are also engaged in action in this area. A similar scheme known as smartworking, was tested in Italy in 2016 and will be extended in 2017.

1.6. QUALITY OF LABOR RELATIONS

As shown by the company agreements already mentioned in this document (see above), good relations and dialogue with trade unions and employee representative bodies are a strong tradition within the RCI Banque group.

For this reason, in 2015, a process was initiated by the management of Diac to amend and renew the company agreement signed in 1983. This agreement brings together a set of measures governing the company in such areas as compensation and benefits, leave, and general conditions of work.

It was believed that the company agreement needed refreshing firstly because over time, the measures included in it had become obsolete and needed updating, and secondly because Management wanted to engage the company in a process of modernization and to promote a stronger performance culture.

Following a number of joint meetings, no positive conclusion was reached and in November 2015, the company terminated the agreement. In 2016, detailed negotiations were held over nine months and resulted in a replacement agreement, which was signed by all trade union organizations on 25 January 2017.

This agreement is in line with the continuous improvement approach to quality of life at work. It safeguards the company's competitiveness in a changing economic environment and fosters an improvement in the collective and individual performance of its employees. The provisions of this agreement will be enhanced by way of collective agreements on specific topics.

II - SOCIAL PROVISIONS AND COMMITMENT TO SOCIETY

2.1. CORPORATE SOCIAL RESPONSIBILITY PROJECTS

In 2016, the RCI Banque group led a number of Corporate Social Responsibility (CSR) projects.

EDUCATION

In order to contribute to the cultural and professional development of the countries in which it operates, RCI Banque gets involved in education.

In France, DIAC has traditionally had an ambitious "Young Persons Policy" characterized by the acceptance of students on sandwich course placements and internships. In 2016, fifty-three young people were awarded apprenticeship or professional development contracts with RCI Banque. At the end of 2016, there were seventy-eight such young people. Twenty-seven young people with two to five years' higher education were also awarded internships.

Our sector is constantly changing and attracting new players. How do we go about stepping outside our comfort zone as an international group? We believe that a company has to look for new ideas outside, in every field and in every area. For this reason, we have made cooperation with the university world one of the key HR priorities of our company transformation plan.

We have turned this ambition into reality by teaming up with Keymatch, which connects university courses with companies. The Keymatch concept involves encouraging students to look into current issues facing businesses and suggest solutions, all within a very short time frame.

For example, last September, we organized two matches on crowd-funding and on culturally adapting our employees to innovation, at the University of Paris-Dauphine. The procedure for each match was very simple. The students were briefed by our panel of employees on the Tuesday, the students submitted their documents on the Saturday and then the final was held before the panel on the Monday. The final followed a tightly-timed schedule, with a start-up-style ninety-second elevator pitch and a more detailed fifteen-minute presentation.

There was much to inspire our company in the profiles of the students who took part. Their perspective was customer-oriented and the solutions they developed were simple and practical in terms of use. For this reason, we asked the winning teams to present their projects to our Executive Committee and our employees. The latter were particularly enthusiastic about the approach and submitted plenty of suggestions for issues to be looked at in the next matches.

In addition to the high-quality recommendations generated, which will be of great use to RCI Bank and Services, this type of event also helps us to explain who we are and to talk about the many different job and career opportunities we have to offer. Through this approach, we also show that we are an innovative group open to outside ideas, and hope that it will awaken in these gifted young people a desire to engage.

Renault and RCI, in **the Netherlands** offered a large number of placements across the organization throughout the year.

In 2016, **RCI South Korea** offered eight high school pupils six-month placements to help them prepare for the world of work and provide them not only with their first experience but also training, by way of a collaborative project overseen by Human Resources. This is also a way to develop the employer's image and that of the brand. Such placements are all the more important in that the unemployment rate in the country reached 9.8% this year.

When they leave university, most young graduates have trouble finding a job. RCI South Korea plays a part in helping these young people. Key partnerships have been signed with universities in South Korea (Korea, Yonsei, Sogang, Ewha SKK, Hanyang) to promote our internship schemes.

HEALTH

The RCI Banque group believes health to be a key issue for today's society, and in 2016 developed a number of initiatives in this area.

In Russia, the group's employees donated the money initially intended for purchasing gifts for partners to BELA Butterfly Children, a charity helping children with incurable illnesses. The children drew pictures which were then used to make gift cards for customers and suppliers.

In the Netherlands, Secretary of State Van Rijn rewarded action to help informal caregivers during the country's National Informal Care and Dementia Day. According to the minister, Renault & RCI in the Netherlands play a leading role in this area, with a personnel policy that places emphasis on the needs of natural carers. Renault & RCI are also involved as a pilot organization in M-power, the new platform for the work of natural carers of the Work and Informal Care charity (Stichting Werk & Mantelzorg), www.mantelzorgpower.nl. The objective is underpinned by the principle that a good work-life balance strengthens employee motivation and enthusiasm and consequently, improves productivity.

Another initiative in the Netherlands consisted in raising money to help in the fight against cancer by way of the Roparun (a 530km relay race from Rotterdam to Paris).

HUMANITARIAN AID

In France, as in previous years, the Management of Diac and its Works Council jointly organized a food collection for the "Les Restos du Cœur" charity, which helps homeless people. This operation, which was suggested by a company employee, collected a far greater volume of food than it did in 2015 (390kg and 22 boxes of food).

In Argentina, in December 2016, RCI Argentina completed its first CSR operation. The subsidiary collected Christmas donations for a disadvantaged neighborhood in Buenos Aires and gifted Christmas specialties.

The employees of RN Bank **in Russia** play an active part in charity events throughout the year, providing toys, medication and other necessities for orphanages and other charity organizations.

In Brazil, in January 2016, we launched a number of voluntary actions with donations being made to the poor (Borda Viva charity), as already supported by Renault and Nissan Institute. For example, we collected Christmas donations, winter clothing, school supplies and equipment. We also encourage all employees to give blood and bone marrow. Employees who take part in at least five operations are awarded a special badge.

In Germany, RCI gave employees who were engaged in helping to welcome refugees two days off. Donations to help children in SOS Children's Villages and people in need living in nursing homes were also collected.

2.2. PROVISIONS DIRECTLY RELATED TO THE RCI BANQUE GROUP'S CUSTOMER BUSINESS ACTIVITIES

Regulatory compliance

Like all lenders, RCI Banque is required to abide by strict rules and regulations concerning the information that must be given to its customers, and more especially to consumers, before they take out a loan, and the processing of their personal data. These rules and regulations result from the transposition of EC Directives or are introduced by local legislators. RCI Banque has put in place a system that ensures its compliance in this area:

- each subsidiary or branch has a structure that monitors changes in regulations, through reference to newsletters sent out by legal firms and auditors, membership of professional organizations, and by reading regulatory texts, etc.,
- the monitoring structure keeps the line staff concerned continuously informed about any changes in the regulations. The latter are then responsible for taking the relevant and necessary action,
- a compliance committee made up of members of the management committee meets quarterly in each subsidiary or branch to review changes in the regulations and the progress made on the requisite action plans.

Any major events or problems are reviewed by the group Compliance Committee;

- the Permanent Control department carries out inspections to ensure independent assessment of the situation.

Underwriting policy

As part of its role and responsibilities towards its shareholder, RCI Banque endeavors to facilitate access to financing and vehicle purchase while being careful not to expose its customers to difficulties as a result of over-borrowing and at the same time to keep credit risk at a controlled level compatible with profitability targets.

RCI Banque also makes sure that it complies with any current regulations governing checks on a potential customer's solvency (gathering of information and documentary evidence, record checks, use of decision-support scores, dialogue with the customer if necessary). Processes, tools and training for dealership staff and sales employees are continuously improved.

In France, this results in a loan approval rate of about 90% of customers on average over each business cycle. The figures do of course vary from one country to another, but management and oversight of loan approval follow the same method.

Pricing

Pricing has to cover the cost of the resource, distribution costs, operating expenses and the cost of risk, while securing the return on equity demanded by the shareholder and investors and required to comply with prudential ratios. It also needs to be competitive in comparison to that applied by rival lenders. Consequently pricing will vary from one country to another and take into account the loan term, personal contribution and type of good financed (new or used vehicle), to ensure that the aforementioned objectives are achieved.

When running special promotional campaigns, manufacturers or dealers may make a contribution to the rate of return so that they can advertise particularly attractive interest rate or related service offers for customers.

Insurance and related services

The RCI group also offers a comprehensive range of insurance products covering borrower (payment protection) and auto risks, and services related to vehicle use.

To summarize, these provisions concerning the range of products and services, risk management and pricing show the RCI group's ability to facilitate access to vehicle use and achieve a high penetration rate on sales by Alliance brands (around 40%) while keeping the total cost of risk down (0.31% of average performing assets in 2016) both in its own interest and in the interest of its customers.

Corruption

RCI Banque explicitly and vigorously prohibits all forms of corruption. The group's Charter of Ethics solemnly reaffirms this strong collective commitment. Its internal control charter complies with current banking regulations.

The fight against corruption is underpinned by a number of specific systems, including a whistle-blowing system and a "Third-party Integrity Management" procedure covering partners, suppliers and main customers.

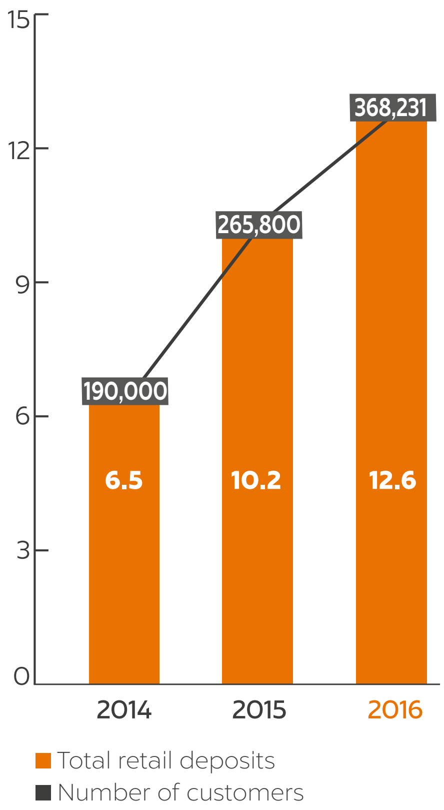
2.3. PROVISIONS SPECIFICALLY RELATED TO THE SAVINGS BUSINESS

RCI Banque, France's first car finance company to offer savings accounts, launched its retail savings business in France in February 2012, before rolling it out in Germany a year later, in Austria in 2014 and in the United Kingdom in 2015. The offering in all four countries consists of an instant access account plus one or more term deposit accounts.

With deposits totaling more than 12.6 billion euros at end-December 2016, net savings collected by RCI Banque were up some 22.9% compared with December 2015 and represented approximately 33% of RCI Banque's net assets at year-end 2016.

By committing to reinvest the funds collected in auto loans marketed to customers of Renault-Nissan Alliance brands, and by offering a straightforward, safe and high-performance range of savings products, RCI Banque has attracted some 368,000 customers in the four countries where the business has been rolled out.

Changes in the retail savings business



2.4. PROVISIONS SPECIFICALLY RELATED TO INNOVATIVE MOBILITY

RCI is fully committed to the Groupe Renault aim of delivering innovative and universally accessible mobility.

This is particularly evident in two areas of its business: firstly in the Alliance manufacturers' electric vehicle program and secondly, in the rollout of new mobility offers focusing on use rather than ownership, through the launch of a car sharing operation.

RCI plays a part in defining the electric vehicle business model by financing vehicle batteries so that they are marketed competitively in relation to the rest of the range.

This lease offer currently covers six electric vehicles marketed by the Alliance. In 2016, RCI thus financed 33,700 new battery contracts, up 7% compared with 2015, taking the number of batteries managed to 97,200 units.

In July 2015, RCI Banque created RCI Mobility, a fully-owned subsidiary, to develop B2B car sharing services and other car-related mobility services in France and internationally.

RCI Mobility is positioned as a mobility services operator for the Alliance brands, and is underpinned by the manufacturers' automotive knowledge and RCI Banque's financial expertise.

In 2016, RCI Mobility supported Renault's Sales Operations Division, France in the rollout of its Renault Mobility program and Nissan in its Nissan Get &Go program.

On 12 January 2017, RCI Banque acquired a majority interest in Flit Technologies Ltd, the company that won the bid to take over the start-up company Karhoo, the world's first cab comparison platform.

Through this acquisition, RCI gains access to a leading technological platform that it will be able to use in its operations for the Renault-Nissan Alliance brands.

This partnership is in line with RCI Banque's development and innovation strategy. It reaffirms the company's determination to design and develop simple and attractive solutions enabling everybody to enjoy the benefits of auto-mobility to the full.

III - ENVIRONMENTAL PROVISIONS

It is considered that the environmental information required by the Grenelle 2 Act is not relevant to RCI Banque as its activities are based on the sale of financing and services and so do not generate any major impacts on the environment. RCI's own impacts are related to its offices worldwide and to its employees. The reporting in place only allows an estimation of these impacts: energy, water, paper, waste, etc.

IV- REMUNERATION POLICY AND PRACTICE FOR CATEGORIES OF EMPLOYEE WHOSE PROFESSIONAL ACTIVITIES HAVE A SIGNIFICANT IMPACT ON THE RISK PROFILE WITHIN THE RCI BANQUE GROUP

The remuneration policy is presented to and approved by the Remuneration Committee and Board of Directors.

As at 31 December 2016, the members of the Remuneration Committee were C. Delbos, T. Koskas and S. Stoufflet. The Remuneration Committee met four times in 2016.

The fixed component of pay reflects the level of responsibility of the post held.

The variable component of pay is intended to reward the performance achieved. This variable component depends heavily on the consolidated financial and commercial results achieved by the RCI Banque group and in accordance with the regulations, never exceeds 100%.

The criteria used to measure performance are: the operating margin, the sales margin on new financing and services contracts, and the individual contribution assessed by the employee's line manager. The operating margin, which is affected by the risks to which RCI Banque is exposed, is a key factor in the variable pay system. If the targeted operating margin is not achieved, the ceiling on the variable pay distributed is materially reduced. If on the other hand this target is reached, the sales performance is factored in. The parameters above have been selected to a/ reward the achievement of a sales target, and b/ take into consideration the financial result, which incorporates all costs borne by the company and in particular those related to risks taken.

Over the 2016 financial year, there were 82 individuals with a significant impact on the risk profile. Their fixed pay for 2016 came to a total of €9,322,962. Their variable pay for 2016 represents a total of €2,637,400.

To the extent that RCI Banque's activities focus solely on financing and automotive services, there is no reason to break down these amounts by sector of activity.

No employee receives an annual salary of more than €1,000,000.

As from the 2016 financial year, part of the variable pay will be deferred over three years.

RCI Banque does not award shares or stock options.

GENERAL INFORMATION

I - GENERAL INFORMATION ABOUT THE COMPANY

A - GENERAL PRESENTATION

NAME AND REGISTERED OFFICE

Corporate name: RCI Banque S.A.
Trade name: RCI Bank and services
Nationality: French
Registered office: 14, avenue du Pavé Neuf
93168 Noisy-le-Grand CEDEX - France
Tel.: + 33 (0)1 4932 8000

LEGAL FORM

Société anonyme à Conseil d'administration (a limited company with a Board of Directors, under French law).

GOVERNING LAW

The Company is governed by the provisions of the *Code de Commerce* (French Commercial Code).

Since it was granted its banking license by the *Banque de France* on 7 March 1991, RCI Banque has also been subject to all the laws and regulations applicable to credit institutions, in particular those incorporated into France's Monetary and Financial Code *(Code Monétaire et Financier).*

DATE CREATED AND TERM

The company was created on 9 April 1974, and registered with the Paris Commercial Court on 4 June 1974. It began operating on 21 August 1974, for a term of 99 years, i.e. until August 2073.

CORPORATE PURPOSE

The main purpose of RCI Banque is to engage in credit and banking operations of all kinds, in France and abroad, directly or indirectly, on its own behalf or on behalf of third parties, for the purposes of:

- financing the acquisition of goods or services or for other purpose; in particular, long-term credit transactions as well as issuance or management of payment systems in connection with such transactions;
- conducting studies of all kinds relating to the formation, expansion and transformation of industrial, commercial, financial and service undertakings;
- conducting full or partial studies, and engaging in consulting and negotiating activities in economic, financial, commercial and managerial areas;
- conducting research on designing and improving managerial, organizational and financial systems;
- carrying out projects resulting from the aforementioned studies, or contributing to the execution thereof by any appropriate means, including taking equity interests in existing or new entities;
- financing business entities, in particular by acquiring holdings of their equity or debt securities, using the Company's own funds or borrowed funds;
- providing investment services as defined by the French Financial Activities Modernization Act (96-597) of 2 July 1996;
- managing the portfolio of securities resulting from these activities, in particular by carrying out all purchase, sale, exchange and transfer transactions in securities of all kinds;
- doing business as an insurance intermediary within the meaning of the French law of 15 December 2005 transposing the European Directive of 9 December 2002, acting as agent, commissioner or broker;
- more generally, carrying out any industrial, commercial, financial or property transactions directly or indirectly related to the corporate purpose or to any similar or connected purposes useful to, or facilitating the realization and development of that purpose.

REGISTRATION AND IDENTIFICATION NUMBER

The Company is registered with the Bobigny Register of Companies under SIREN number: 306 523 358, SIRET number: 306 523 358 00068, ORIAS number: 07023704, and APE code 6419Z (business activity code).

ACCESS TO LEGAL DOCUMENTS

Legal documents pertaining to the issuer may be consulted at the Company's registered office.

FINANCIAL YEAR

The Company's financial year starts on 1 January and ends on 31 December of each calendar year.

B - SPECIAL BY-LAW PROVISIONS

STATUTORY ALLOCATION OF EARNINGS

(Article 36 – distribution of dividends)

Net income consists of net revenues for the year, less overhead costs and other corporate expenses, and after depreciation, amortization and impairment allowances. At least five percent of net income less any prior-year losses is appropriated to fund the legal reserve. Once the amount of the legal reserve is equal to one-tenth of the share capital, this appropriation is no longer mandatory. It is resumed in the event that the legal reserve falls below one tenth of the share capital for any reason. Distributable income consists of the current year's net income less any prior-year losses, the aforementioned appropriation, and any other transfers required by applicable law, plus unallocated retained earnings brought forward from previous years. From this income, the Ordinary General Meeting may decide to distribute dividends. Such dividends shall be appropriated first from the distributable income generated in the current year. From the available surplus, the Ordinary General Meeting may appropriate any amounts it deems appropriate, to be carried over to one or more general or special reserve accounts to be allocated or used as it sees fit.

GENERAL MEETINGS

(Articles 27 to 33 of the by-laws)

Types of general meeting

Each year, the shareholders convene in an Annual General Meeting, which must be held within five months of the end of the financial year. In addition, the shareholders may hold Ordinary General Meetings that meet on an extraordinary basis, or Extraordinary General Meetings when their purpose is to amend the by-laws, except as otherwise provided for by law, may also be held.

The General Meeting, duly constituted, represents all shareholders. Its decisions, taken in accordance with law and the Company's by-laws, are binding on all shareholders, even those who are absent, incapable of attending or in disagreement.

Shares held in treasury by the Company are not counted when calculating the *quorum* for the various meetings.

Two members of the works council, appointed by that council, one representing engineers and managerial staff and the other representing support staff, may attend general meetings.

The Board of Directors may decide that shareholders will be able to take part in and vote at general meetings by videoconference or any other means of telecommunication that permits them to be identified as required by law.

Notice of meetings

The Board of Directors calls the shareholders to General Meetings by means of a notice indicating the date, time and place of meeting.

General meetings may also be convened by:

- the Statutory Auditors;
- a representative appointed by order of the presiding judge of a French commercial court ruling in summary proceedings at the petition either of any interested party, or of one or more shareholders who together own at least 5% of the share capital;
- the receivers.

Quorum – Majority

Ordinary and Extraordinary General Meetings are subject to the *quorum* and majority requirements prescribed by law and exercise the powers allocated to them by law.

Composition of meetings

All shareholders, regardless of the number of shares they own, may attend general meetings, participate in the proceedings and vote. Owners of registered shares who have requested that such shares be duly recorded in the Company register at least five days before the meeting are admitted upon presentation of identification. Shareholders may be represented by another shareholder, or by their spouse. Proxies prepared in accordance with the law must be received at the registered office at least five days before the date of the meeting.

All shareholders, regardless of the number of shares they own, may attend Extraordinary Meetings, take part in the proceedings and vote. The right to vote in Ordinary General Meetings belongs to the beneficial owner of the shares to which the right is attached; the right to vote in Extraordinary General Meetings belongs to the named legal owner. When a general meeting has been called, the Company shall, at its own expense, deliver or send a mail ballot and attachments thereto, to any shareholder who so requests by registered mail (return receipt requested). The Company must honor any request received by its registered office no later than six days before the date of the meeting.

The mail ballot must include certain information as stipulated by Articles R.225-76 et seq. of the *Code de Commerce* (French Commercial Code). It must clearly notify the shareholder that abstention from voting or failure to indicate voting instructions on any item shown on the form will be treated as a vote against the proposed resolution.

The form may be included in the same document as the proxy form, if applicable. In this event, the applicable provisions are those of Article R.225-78 of the *Code de Commerce* (French Commercial Code). The documents stipulated by the aforementioned Article R.225-76 must be attached to the mail ballot.

A mail ballot sent to the Company for a given General Meeting is also valid for any subsequent meetings convened to address the same agenda. Mail ballots must be received by the Company at least three days before the date of the meeting. If a proxy is returned with a mail ballot, the proxy is taken into consideration subject to the votes indicated in the mail ballot.

Meeting officers - Attendance sheet

The General Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the Vice Chairman, if one has been named, or by a director appointed by the board. If the meeting has been convened by the Statutory Auditors, by a court-appointed representative or by the receivers, one of their members chairs the meeting. The votes are counted by the two largest shareholders, either acting on their own behalf or as representatives, or, if they decline, by the next largest shareholders, and so on, until this responsibility is accepted. These officers appoint the secretary of the meeting, who need not be a member of the meeting. An attendance sheet containing all information required by law and regulation is drawn up at shareholders' meetings.
The meeting's officers may attach to the attendance sheet all proxy or mail ballots showing the last name, usual first name and address of each shareholder represented or casting a mail ballot, the number of shares that he or she owns, and the number of votes attached to those shares. In this case, the meeting's officers shall indicate the number of proxies and mail ballots attached to the attendance sheet, together with the number of shares and voting rights associated with such proxies and mail ballots. Proxies and mail ballots shall be submitted at the same time and under the same conditions as the attendance sheet. The accuracy of the attendance sheet, duly initialed by the shareholders in attendance and by shareholders' representatives, is certified by the meeting's officers. The responsibilities of the officers relate exclusively to the holding of the meeting and proper conduct thereof; their decisions are always provisional and remain subject to a vote by the meeting itself. Any interested party may initiate such a vote.

Agenda

The meeting's agenda is established by the Board of Directors or by the person who convenes the General Meeting.

However, under the conditions prescribed by law, one or more shareholders may request that certain draft resolutions not concerning the presentation of candidates for the Board of Directors be included on the agenda.

Minutes

The proceedings of general meetings are recorded in minutes that are entered in a special numbered and initialed register and signed by the meeting's officers. The minutes may be drawn up on sequentially numbered, initialed loose-leaf sheets.

Copies or extracts of the minutes to be provided for legal or other purposes are duly certified either by the Chairman of the Board of Directors or by a director serving as chief executive or by the meeting's secretary. Such copies or extracts are valid with respect to third parties provided that the signatures thereon are valid.

C - GENERAL INFORMATION ABOUT THE SHARE CAPITAL

C.1 - GENERAL PRESENTATION

Share capital

The share capital, which was initially 2,000,000 French francs, was subsequently altered by capital increases and by conversion into euros. Following these changes, the share capital has stood at €100,000,000 since 22 November 2000. It is divided into 1,000,000 fully paid shares of €100 each.

C.2 - CURRENT SHARE CAPITAL OWNERSHIP AND VOTING RIGHTS

Shareholders

At 31 December 2016, Renault S.A.S. owned all of the share capital (apart from one share granted to the Chief Executive Officer).

Changes in share capital ownership over the past three years

Following an amendment to the by-laws decided upon by the Extraordinary General Meeting of 30 September 2015, the number of shareholders was reduced to seven.

Following the amendment to Article L.225-1 of France's Commercial Code (Code du commerce) by the Act of 10 May 2016, the number of shareholders was reduced to its minimum, i.e. to two shareholders.

Individuals or legal entities that exercise or may exercise control over RCI Banque

Renault S.A.S. owns 99.99% of RCI Banque.

Organization – issuer's position within a group

The Renault Group consists of two separate and distinct branches:

- the automobile branch;
- the sales financing branch composed of the RCI Banque group. Through its status as a bank, its independent access to financial markets and its inclusion in Renault's marketing policy, RCI Banque offers a competitive range of automobile financing products and related services to Renault Group brand dealership networks worldwide and to Nissan brand dealership networks in Europe. The organization of the RCI Banque group is described on the back cover of this document.

C.3 - MARKETS FOR ISSUER'S SECURITIES

The Company's shares are not listed on any stock exchanges.

Securities listings

Publicly traded debt securities of the RCI Banque group are listed on the Luxembourg and Paris stock exchanges.

D - BOARD OF DIRECTORS EXECUTIVE BODIES

The Board of Directors met five times in 2016.

At this time:

- There are no conflicts of interest between the duties of members of the governing and executive bodies and their private interests with regard to the RCI Banque group;
- There are no service contracts binding any member of the Board of Directors to RCI Banque or any of its affiliates and providing for rewards to be granted at the end of the contract;
- Independently of the regulated agreements, there are no arrangements or agreements with principal shareholders, customers, suppliers or others under which any member of the Board of Directors has been selected.

Details concerning the composition of the Board of Directors are given in the chapter on Financial Security, paragraph III.1.1.1.1 "Composition of the Board of Directors".

E - EMPLOYEE PROFIT SHARING SCHEME

In accordance with Articles L.442-1 et seq. of the Code du travail (French Labor Code), a profit-sharing agreement was signed on 2 June 2003. Profit-sharing is allocated to all group employees in proportion to the gross salary received by each eligible individual during the relevant year, up to the limits set by law. Each beneficiary may choose to allocate this amount:

- either to a current account in his or her name on the Company's books, or;
- to units in a unit trust.

The RCI Banque group does not have a stock option plan for its employees, officers and directors.

	2016	2015	2014	2013	2012
Profit-sharing (in €m)	8.4	7.5	7.5	7.5	7.3
Beneficiaries	1,499	1,447	1,393	1,407	1,399

F - FEES PAID TO STATUTORY AUDITORS AND THEIR NETWORK

In thousands of euros	ERNST & YOUNG Statutory auditors network				KPMG Statutory auditors network				OTHERS Statutory auditors network			
	2016		2015		2016		2015		2016		2015	
	HT	%	HT	%	HT	%	HT	%	HT	%	HT	%
Legal audit in the strict sense	980	91	942	99	1,108	97	1,140	100	92	84	112	93
Services necessarily rendered due to local regulations	60	6	8	1	13	1			18	16	8	7
Services usually provided by the auditors	33	3	-	-	26	2						
Legal audit and related services	**1,073**	**100**	**950**	**100**	**1,147**	**100**	**1,140**	**100**	**110**	**100**	**120**	**100**
Tax, legal & social consulting					5	15	-	-	-	-	-	-
Organisation consulting	-	-	-	-	-	-	-	-	-	-	-	-
Other consulting	10	100	-	-	25	85	-	-	-	-	-	-
Authorized services (excluding legal audit) requiring approval	**10**	**100**	**-**	**-**	**30**	**100**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FEES	**1,083**		**950**		**1,177**		**1,140**		**110**		**120**	

G - EXTERNAL AUDITORS

KPMG S.A

Tour Eqho, 2 Avenue Gambetta
92066 Paris La Défense cedex
Société Anonyme (limited company under French law) listed on the Nanterre Register of Companies under no. 775 726 417
Statutory Auditor, Member, Compagnie Régionale de Versailles
Term of office: six years
Term expires: Accounting year 2019
Represented at 31 December 2016 by Mr Valery Fousse.

ERNST & YOUNG AUDIT

Tour First, 1/2 Place des Saisons TSA 14444
92037 Paris La Défense cedex
S.A.S. à capital variable (variable capital simplified joint stock company under French law) listed on the Nanterre Register of Companies under no. 344 366 315
Statutory Auditor, Member, Compagnie Régionale de Versailles
Term of office: six years
Term expires: Accounting year 2021
Represented at 31 December 2016 by Mr Bernard Heller.

II - BACKGROUND

RCI Banque is the result of the merger on 1 January 1990 between:

- Diac, created in 1924 to finance sales of Renault vehicles in France;
- and Renault Credit International, established in 1974 to finance sales of Renault vehicles in Europe. Under the terms of the agreement of 27 March 1999 between Renault and Nissan, the RCI Banque group acquired Nissan's sales financing subsidiaries in five European countries.
- Those subsidiaries have been consolidated by RCI Banque since 1 July 1999. At 31 December 2002, all shares were held by Compagnie Financière Renault, which in turn was wholly owned by Renault S.A. Compagnie Financière Renault served as the umbrella for all Renault Group finance companies. From 20 June 2003, as a result of its merger with Renault S.A.S., Compagnie Financière Renault stopped being a director and shareholder of RCI Banque and since then, 99.9% of the share capital has been held by Renault S.A.S.

A - DEPENDENCE

RCI Banque provides financing to Renault Group and Nissan sales Dealers and Customers. RCI Banque is not subject to any patents, licenses, industrial supply contracts, commercial or financial sourcing agreements or agreements regarding new manufacturing processes.

B - INVESTMENT POLICY

Main investments and disposals over the last five financial years..

	Disposals – dissolutions – mergers	Acquisitions	Creations
2016	**Brazil:** Merger by absorption of COMPANHIA DE CREDITO E INVESTIMENTO RCI BRASIL by BANCO RCI BRASIL S.A. **Portugal:** Merger by absorption of RCI GEST INSTITUICAO DE CREDITO S.A by RCI BANQUE S.A.	**United Kingdom:** Acquisition of a 24.96% interest in BULB SOFTWARE LTD by RCI BANQUE S.A.	**Portugal:** RCICOM S.A. created **Columbia:** RCI COLOMBIA S.A. COMPANIA DE FINANCIAMIENTO created
2015	**Belgium:** Dissolution of RCI FINANCIAL SERVICES LUXEMBOURG, branch of RCI FINANCIAL SERVICES S.A.		**France:** RCI MOBILITY S.A.S. created **United Kingdom:** RCI BANK UK (branch) opened
2014	**France:** Merger by absorption of SOGESMA S.A.R.L by DIAC S.A.		
2013	**France:** Fusion absorption de COGERA S.A. par DIAC S.A. **United Kingdom**: Dissolution of R.F.S and of RENAULT ACCEPTANCE LTD **Italy:** Dissolution of OVERLEASE S.R.L **Mexico:** Transfer to NISSAN of the 15% interest in NRFINANCE MEXICO S.A. **Poland:** Merger by absorption of RCI BANK POLSKA by RCI BANQUE S.A. **Turkey:** Transfer of 50% of RCI PAZARLAMA VE DANISMANLIK HIZMETLERI LTD SIRKETI which becomes ORF KIRALAMA PAZARLAMA DANISMANLIGI ANOMIM SIRKETI		**South Korea:** RCI INSURANCE SERVICE KOREA created **India:** NISSAN RENAULT SERVICES FINANCIAL SERVICES INDIA PRIVATE LIMITED created **Netherlands:** RNSF B.V. et BARN B.V. created under the partnership with NISSAN & UNICREDIT for the creation of RN BANK in RUSSIA. **Russia:** RN BANK created **Poland:** RCI Banque SPOLKA AKCYJNA ODDZIAL W POLSCE (branch) opened
2012		**France:** Buy-out by DIAC S.A. of the 5.19% interest in COGERA held by S.A. RENAULT S.A.S.	

III - STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair picture of the assets and liabilities, financial position and profit or loss of the company and of all undertakings included in the scope of consolidation. The management report appended hereto presents a true and fair picture of the business development, results and financial position of the company and of all undertakings included in the scope of consolidation, and provides a description of the main risks and uncertainties they face. The management report included in this financial report does not contain all of the information referred to by France's Commercial Code (code de commerce). Said information will be included in the management report that will be presented to the general shareholders' meeting.

03 February 2017

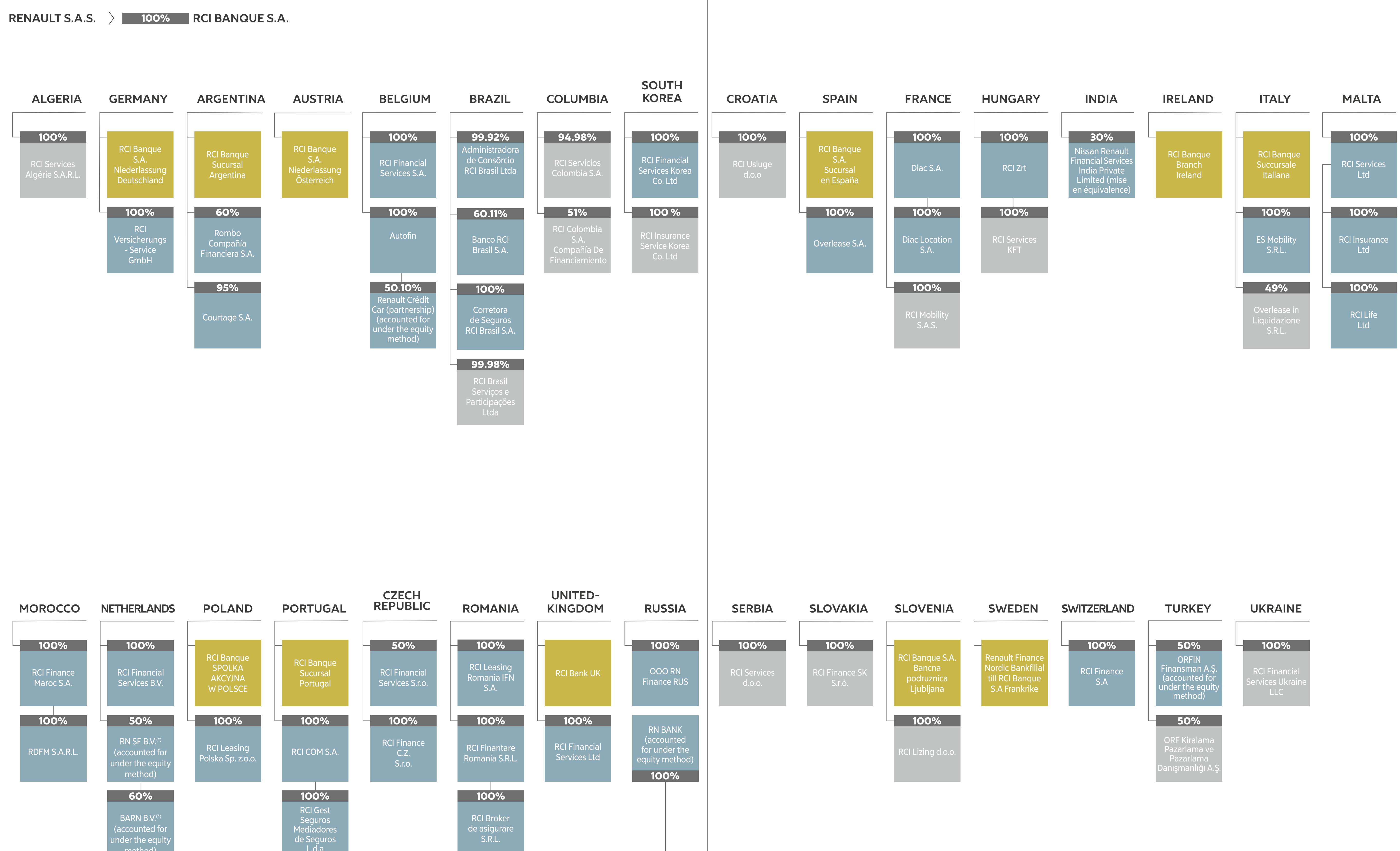
The Chairman of the Board of Directors

Clotilde Delbos

NOTES

NOTES

RCI BANQUE ORGANIZATION CHART 2016



Subsidiary | Branch | Non-consolidated subsidiary

(*) Organization of the activity in Russia

CHANGES IN 2016

Brazil: Merger by absorption of Companhia de Crédito, Financiamento e Investimento RCI Brasil by Banco RCI Brasil S.A.

Colombia: RCI Colombia S.A. Compañia De Financiamiento created

Portugal: RCI COM S.A. created and merger by absorption of RCI Gest Instituição Financeira de crédito S.A. by RCI Banque S.A.

DOCUMENTS AVAILABLE TO THE PUBLIC

This document is available on the RCI Banque website www.rcibs.com.

Anyone wishing for further information about the RCI Banque group may, without obligation, request documents:

RCI Banque
Direction Financements et Trésorerie
API LPN 45
14 avenue du Pave Neuf
93168 Noisy-le-Grand Cedex - France

BANK
AND
SERVICES

RCI Banque - S.A. with share capital of €100,000,000
Registered office: 14 avenue du Pavé Neuf – 93168 Noisy-le-Grand Cedex
Siren 306 523 358 RCS Bobigny
www.rcibs.com