RCI BANQUE SA

FINANCIAL REPORT 2017

SUMMARY

BANK
AND
SERVICES

BUSINESS REPORT **2017**

RCI BANK AND SERVICES[1] OVERVIEW

RCI Bank and Services provides a range of financial solutions to facilitate access to automobility for Alliance customers[2]. Taking into account each brand's specific characteristics and anticipating the new needs and automotive uses of their customers, RCI Bank and Services supports their marketing policies and works with them to win new customers and build loyalty.

RCI Bank and Services brings together three worlds: the automotive world through its history, banking through its business, and services through its offerings. Every day, in 36 countries across the world, RCI Bank and Services supports the growth of the Alliance brands and their distribution networks, by offering their customers a comprehensive range of financing products, insurances and services.

Our vision:
«Our aim in creating personalized services is to deliver a seamless mobility experience.
Our aim in innovating is to enhance the service we deliver to our customers».

Tailored solutions for each type of customer base

We offer our **Retail customers** a range of financing solutions and services relevant to their projects and uses, to facilitate, support and enhance the whole of their automobility experience. Our solutions and services apply to both new and used vehicles.

We provide our **Business customers** with a wide range of mobility solutions to relieve the pressure of vehicle fleet management and allow them to focus on their core business.

We deliver active support to Alliance brand **Dealers** by financing inventories (of new vehicles, used vehicles and spare parts) and short-term cash requirements.

The Savings Bank business, one of the pillars of the company's refinancing

The Savings business was launched in 2012 and now operates in four markets, namely France, Germany, Austria and the United Kingdom. Savings deposits are a key instrument in the diversification of the group's sources of refinancing for its operations. Deposits collected came to €14.9 billion, or approximately 34% of net assets at end-[3] December 2017.

Some 3,400 employees over five continents

Our employees operate in 36 countries, divided into five major world regions: Europe; Americas; Africa - Middle-East - India; Eurasia; Asia - Pacific.

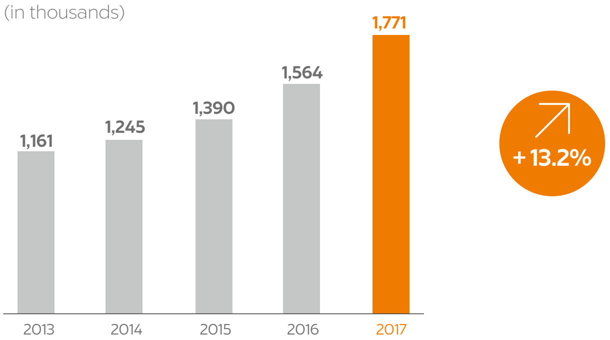
[1] RCI Bank and Services has been the company's trading name since February 2016. Its corporate name, however, remains unchanged and is still RCI Banque S.A.

[2] RCI Bank and Services supports the Renault Group's brands (Renault, Renault Samsung Motors and Dacia), the Nissan Group's (Nissan, Infiniti and Datsun) mainly in Europe, in Brazil, in Argentina, in South Korea and in the form of joint ventures in Russia and in India, as well as Mitsubishi Motors in the Netherlands.

[3] Net assets at end-: net total outstandings + operating lease transactions net of depreciation and impairment.

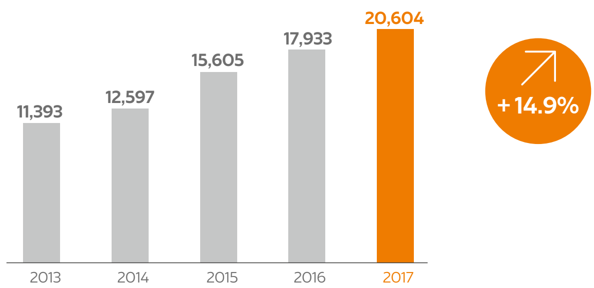
Total number of vehicle contracts

(in thousands)



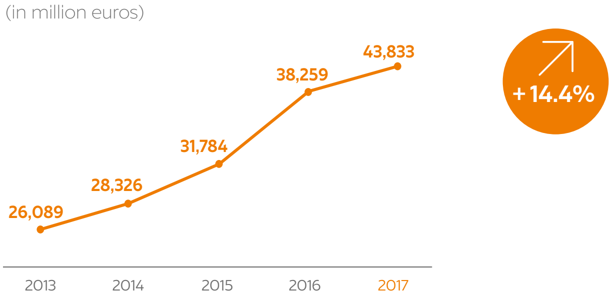
New financings

(excluding personal loans and credit cards / in million euros)



Net assets at end[4]

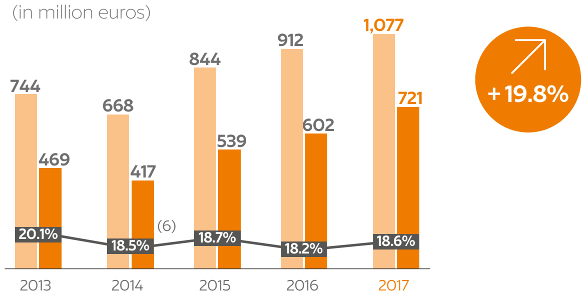
(in million euros)



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

Results[5]

(in million euros)



Pre-tax income
After-tax income (parent company shareholders' share)
Return On Equity (ROE)

[5] The 2014 consolidated financial statements have been restated following a correction pertaining to the spread of insurance commissions at RCI Banque S.A. Sucursal en España.

[6] ROE 2014 excluding non-recurring items (-€77m).

BUSINESS ACTIVITY 2017

In a growing global automotive market, RCI Bank and Services posts a further increase in its sales performance for 2017, achieving record business in financings and services. RCI Bank and Services confirms its position as a key strategic partner to the Alliance brands.

With 1,771,016 contracts financed in 2017, a 13.2% increase on 2016, RCI Bank and Services generated €20.6 billion in new financings. This performance was mainly driven by the growing European automotive market, but also by the economic recovery recorded by emerging markets (Brazil, Argentina, and Russia).

The group's Financing penetration rate thus came to 39.6%, up 1.9 points compared with 2016. Excluding Turkey, Russia and India (companies consolidated using the equity method), it came to 42.6%, against 41.0% at end-December 2016. This strong performance came with a boom in the used vehicle Financing business line, which saw some 320,000 contracts financed over 2017, a 15.7% increase on the previous year.

Average performing assets (APA)[1] stand at €39.6 billion, recording a 19.0% increase compared with 2016. Of this amount, €29.9 billion are directly attributable to the Retail Customer business, which posted an 18.5% rise. Building on the momentum of the automotive market and the strong growth in new and used vehicle financing, the Services business continued to grow, posting a 27.5% leap in volumes over one year. The number of insurance policies and services contracts sold for 2017 thus totaled 4.4 million units, of which 65% in customer-centric or vehicle-use related services. RCI Bank and Services posted growth in its Financing penetration rates across all regions over 2017.

The Europe region saw a 9.4% increase in the number of new vehicle financing contracts compared with 2016 and its Financing penetration rate came to 43.3% against 41.5% the previous year.

Amid a recovery in the automotive market, the Americas region recorded good sales results in 2017. The Financing penetration rate for the region as a whole came to 38.8%, a 1.1-point increase on 2016. This growth is attributable to the good performance turned in by RCI Bank and Services in Argentina, and to Colombia being brought into the scope of consolidation.

The Asia-Pacific region posted the biggest penetration rate increase of the regions, showing a 5-point improvement on 2016 to 57.4%. More than one in two new vehicles sold by Renault Samsung Motors was thus financed by RCI Bank and Services, which achieved a high sales performance despite a downturn in the market overall.

Fuelled by RCI Bank and Services' good results on the Datsun brand in India, the penetration rate for the Africa – Middle-East - India region hit 21.8% at end-December 2017, showing a 3.7-point increase on the previous year.

The Eurasia Region posted a 2-point increase in the penetration rate to 26.7% for 2017. In Russia, where automotive sales grew, the penetration rate improved by 0.6 points to 27.5%. In Turkey, where the automotive market is showing a decline, the penetration rate was up 4.5 points to 26.6%.

[1] Average performing assets: APA are equal to average performing assets plus assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at year-end. For Dealers, it means the average of daily performing assets.

PC + LUV[2] market		Financing penetration rate (%)	New vehicle contracts processed (thousands)	New financings excluding cards and PL (€m)	Net assets at year-end[3] (€m)	of which Customer net assets at year-end[3] (€m)	of which Dealer net assets at year-end (€m)
Europe	**2017**	**43.3**	**1,318**	**17,061**	**39,028**	**28,785**	**10,243**
	2016	41.5	1,197	15,175	33,934	24,408	9,526
of which Germany	**2017**	**44.1**	**184**	**2,739**	**6,808**	**5,333**	**1,475**
	2016	39.9	155	2,196	5,871	4,402	1,469
of which Spain	**2017**	**54.2**	**161**	**1,870**	**4,207**	**3,279**	**928**
	2016	52.4	139	1,611	3,426	2,656	770
of which France	**2017**	**46.7**	**455**	**5,815**	**13,315**	**9,606**	**3,709**
	2016	44.4	425	5,270	11,632	8,253	3,379
of which Italy	**2017**	**60.0**	**196**	**2,769**	**5,264**	**3,960**	**1,304**
	2016	57.7	163	2,168	4,251	3,156	1,095
of which United Kingdom	**2017**	**29.1**	**129**	**1,803**	**4,787**	**3,897**	**890**
	2016	33.5	146	2,132	4,548	3,635	913
of which other countries	**2017**	**31.1**	**193**	**2,065**	**4,647**	**2,710**	**1,937**
	2016	29.2	170	1,797	4,206	2,306	1,900
Asia-Pacific (South Korea)	**2017**	**57.4**	**72**	**1,095**	**1,561**	**1,541**	**20**
	2016	52.3	70	1,014	1,400	1,389	11
Americas	**2017**	**38.8**	**190**	**1,644**	**2,637**	**2,049**	**588**
	2016	37.7	139	1,084	2,377	1,925	452
of which Argentina	**2017**	**35.9**	**54**	**388**	**499**	**344**	**155**
	2016	33.6	42	291	379	289	90
of which Brazil	**2017**	**37.8**	**111**	**1,041**	**1,880**	**1,498**	**382**
	2016	39.7	96	793	1,998	1,636	362
of which Colombia	**2017**	**51.6**	**25**	**215**	**258**	**207**	**51**
	2016	-	-	-	-	-	-
Africa - Middle-East - India	**2017**	**21.8**	**53**	**253**	**416**	**331**	**85**
	2016	18.2	43	224	389	321	68
Eurasia	**2017**	**26.7**	**138**	**552**	**191**	**179**	**12**
	2016	24.7	115	437	159	149	10
Total group	**2017**	**39.6**	**1,771**	**20,604**	**43,833**	**32,885**	**10,948**
	2016	37.7	1,564	17,933	38,259	28,192	10,067

[2] Figures refer to passenger car (PC) and light utility vehicle (LUV) markets.
[3] Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.
Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using the equity method.

CONSOLIDATED FINANCIAL HIGHLIGHTS 2017

In 2017, RCI Bank and Services records pre-tax income of €1,077 million. This performance was achieved in a favorable global economic environment, with continuing growth in European markets and an upturn in business in South America.

Earnings

Net banking income (NBI) increased 10.6% compared with 2016, to €1,628 million. This increase is attributable to the combined growth of the Financing (19.0% growth in average performing assets, APA) and Services activities (+ 20.5% compared to 2016).
Net banking income expressed as a percentage of APA came to 4.11% (against 4.41% in 2016). This decrease is attributable partly to the falling proportion of outstandings held by the Americas Region as a result of growth in Europe, and partly to the increase in risk provisioning on residual values in the United Kingdom.

Operating expenses came to €522 million, or 1.32% of APA, recording a 7-basis point decrease compared with 2016. With an operating ratio of 32.1%, the group demonstrated its ability to control its costs while supporting its strategic plans and business growth.

The total cost of risk (including country risk) came to 0.11% of APA, against 0.31% in 2016, confirming a robust underwriting and collection policy. Fuelled by a favorable economic climate leading to a drop in the stock of doubtful loans in the portfolio, the Customer cost of risk fell to 0.19% of APA in 2017 against 0.33% in 2016. The improvement in the economic environment, a variable used in calibrating provisions on sound Dealer outstandings, also led to reversals of provisions on the Dealer financing portfolio. The net cost of risk was thus negative (income), coming to -0.15% of APA at end-2017 against 0.21% in 2016.

Pre-tax income came to €1,077 million, showing an 18.1% increase compared with 2016 and reflecting RCI Bank and Services' ability to maintain its profitable growth momentum.
Consolidated net income – parent company shareholders' share – came to €721 million, against €602 million for 2016.

Balance sheet

Good commercial performances, especially in Europe, drove historic growth in net assets at end[2]-2017 to €43.8 billion, against €38.3 billion at end-2016 (+14.4%).

Consolidated equity amounted to €4,719 million against €4,060 million at 31 December 2016 (+16.2%).

Deposits from retail customers in France, Germany, Austria and the United Kingdom (sight and term deposits) totaled €14.9 billion at end-December 2017 against €12.6 billion at end-2016 and represented approximately 34% of net assets at end-December 2017.

Profitability

ROE[3] rose to 18.6% against 18.2% in 2016.

Solvency[4]

The Core Tier One ratio was 15.0% at end-December 2017, against 15.7% at end-2016.
The ratio at end-December 2017 includes a recalibration of certain parameters of the internal models used for risk weighted assets calculation.

Consolidated income statement (in million euros)	**12/2017**	12/2016	12/2015
Net banking income	**1,628**	1,472	1,362
General operating expenses[1]	**(522)**	(463)	(429)
Cost of risk	**(44)**	(104)	(93)
Share in net income (loss) of associates and joint ventures	**15**	7	4
Consolidated pre-tax income	**1,077**	912	844
Consolidated net income (parent company shareholders' share)	**721**	602	539

[1] Including depreciation and impairment losses on tangible and intangible assets and gains less losses on non-current assets.

Consolidated balance sheet (in million euros)	**12/2017**	12/2016	12/2015
Total net outstandings of which	**42,994**	37,544	31,226
• *Retail customer loans*	***21,609***	*18,802*	*16,316*
• *Finance lease rentals*	***10,437***	*8,675*	*6,870*
• *Dealer loans*	***10,948***	*10,067*	*8,040*
Operating lease transactions net of depreciation and impairment	**839**	715	558
Other assets	**5,876**	5,061	5,289
Shareholders' equity of which	**4,732**	4,072	3,507
• *Equity (total)*	***4,719***	*4,060*	*3,495*
• *Subordinated debts*	***13***	*12*	*12*
Bonds	**17,885**	14,658	13,096
Negotiable debt securities (CD, CP, BT, BMTN)	**1,182**	1,822	1,662
Securitization	**2,272**	3,064	2,776
Customer savings accounts - Ordinary accounts	**11,470**	9,027	7,332
Customer term deposit accounts	**3,464**	3,549	2,902
Banks, central banks and other lenders (including Schuldschein)	**5,854**	4,536	3,633
Other liabilities	**2,850**	2,592	2,165
BALANCE SHEET TOTAL	**49,709**	43,320	37,073

[2] Net assets at end-: net total outstandings + operating lease transactions net of depreciation and impairment.
[3] ROE (Return on equity), is calculated by dividing net income for the period by average net equity (excluding Income for the period).
[4] Subject to the ongoing control and validation works, the application of IFRS 9 should have a maximum impact on the solvency ratio estimated at -0.20%.

FINANCIAL POLICY

The European Central Bank kept its monetary policy unchanged throughout 2017 and announced that it would extend its asset purchase program until September 2018, albeit cutting the pace of its monthly bond purchases from €80 billion to €30 billion. It also signaled that the current policy of low interest rates would be continued well past the period of quantitative easing.

At the same time, the US Federal Reserve started its balance sheet reduction process and raised its interest rates three times, thereby taking the Fed Funds target range to 1.25-1.50%, a 75bp rise compared with 2016.

To address the surge in inflation driven by the falling value of Sterling, the Bank of England also raised its interest rates by 25bp, to 0.50%.

The Euro swap curve steepened slightly during the year. At end-2017, the 5-year swap was thus around 0.30%, nearing the high point reached in the summer and up about 20bp over the year.

After widening slightly at the start of the year, credit spreads tightened substantially following the French elections.

To support the growth in its business activity, the group issued the equivalent of €6 billion in public bond format in 2017 and extended the maturity of its debt by making an eight-year issue for the very first time. In addition to six bond issues in euros with alternating fixed and floating rate coupons, one bond issue in Swiss francs and a transaction in Sterling were also made. The company initiated and twice used a dual tranche format combining a fixed rate issue with a floating rate issue, and extended its floating rate credit curve by launching its first seven-year issue in this format. In addition, the group also made a number of private format placements for a total of €365m.

The revolving period for the private securitization transaction backed by auto loans in the United Kingdom was extended for a further year and its amount increased by GBP200 million to GBP1.1 billion.

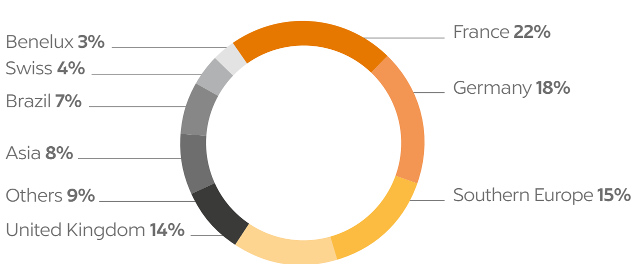
This combination of maturities, types of coupon and issue formats is part of the strategy implemented by the group for a number of years to diversify its sources of funding and reach out to as many investors as possible.

In addition, the group's entities in Brazil, South Korea, Morocco, Argentina and, for the first time, Poland, also tapped their domestic bond markets.

Retail customer deposits have increased by €2.4 billion since December 2016 and at 31 December 2017, totaled €14.9 billion, representing 34% of net assets, in line with the company's goal of collecting retail deposits equivalent to approximately one third of the financing granted to its customers.

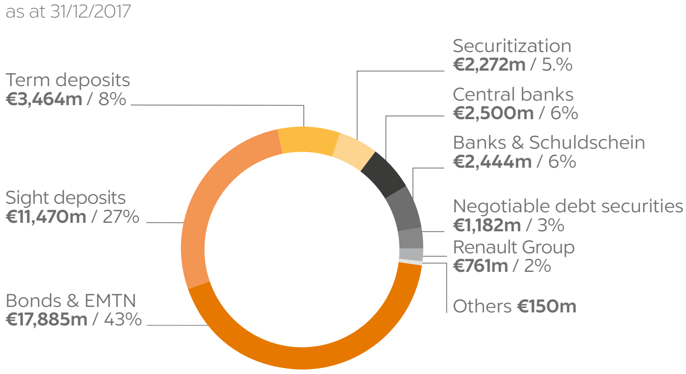
Geographical breakdown of new resources with a maturity of one year or more

(excluding deposits and TLTRO)
as at 31/12/2017



Structure of total debt

as at 31/12/2017



Static liquidity position[1]

(in million euros)

[1] Scope: Europe.

Static assets: assets runoff over time assuming no renewal
Static liabilities: liabilities runoff over time assuming no renewal

FINANCIAL POLICY

These resources, to which should be added, based on the European scope, €4.4 billion of undrawn committed credit lines, €3.6 billion of assets eligible as collateral in ECB monetary policy operations, €1.8 billion of high quality liquid assets (HQLA) and €0.4 billion of financial assets, enable the group to maintain the financing granted to its customers for about twelve 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 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.

Group's overall sensitivity to the interest rate risk remained below the €50 million limit set by the group.

At 31 December 2017, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

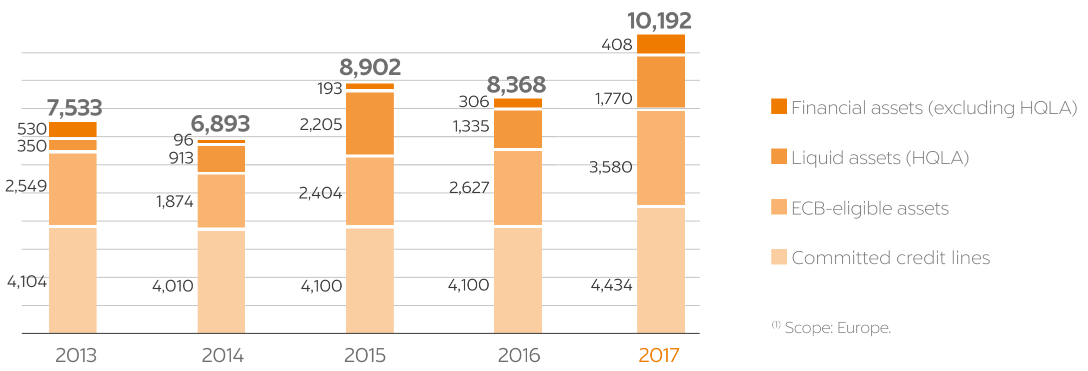
+€4.7 million in EUR,
+€0.4 million in KRW,
+€0.2 million in MAD,
-€2.9 million in GBP,
-€0.7 million in CHF,
-€0.4 million in BRL,
-€0.2 million in PLN.

The absolute sensitivity values in each currency totaled €10.1 million.

The group's consolidated foreign exchange position totaled €8.3 million.

Liquidity reserve[1]

(in million euros)



[1] Scope: Europe.

Group's programs and issuances

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

Issuer	Instrument	Market	Amount	S&P	Moody's	Others
RCI Banque S.A.	Euro CP Program	Euro	€2,000m	**A-2** (stable outlook)	**P2**	**R&I: A-2** (positive outlook)
RCI Banque S.A.	Euro MTN Program	Euro	€20,000m	**BBB** (stable outlook)	**Baa1** (positive outlook)	**R&I: BBB+** (positive outlook)
RCI Banque S.A.	NEU CP[2] Program	French	€4,500m	**A-2** (stable outlook)	**P2**	
RCI Banque S.A.	NEU MTN[3] Program	French	€2,000m	**BBB** (stable outlook)	**Baa1** (positive outlook)	
Diac S.A.	NEU CP[2] Program	French	€1,000m	**A-2** (stable outlook)		
Diac S.A.	NEU MTN[3] Program	French	€1,500m	**BBB** (stable outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS3,000m		**Aa1** (stable outlook)	Fix Scr: **AA (arg)** (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,495m[4]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,157m[4]		**Aaa.br**	
RCI Finance Maroc	BSF Program	Morocan	MAD1,000m			
RCI Leasing Polska	Bond Program	Polish	PLN500m			

[2] "Negotiable European Commercial Paper" (NEU CP), new name for Certificates of Deposit.
[3] "Negotiable European Medium-Term Note" (NEU MTN), new name for Negotiable Medium-Term Notes.
[4] Outstandings.

RCi BANK AND SERVICES

AUDITORS' REPORT

31 December 2017

RCI Banque S.A.

Statutory auditors' report on the consolidated financial statements

For the year ended 31st December 2017

RCI Banque S.A.

15 rue d'Uzès - 75002 Paris

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Tour EQHO
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92066 Paris la Défense Cedex
France

ERNST & YOUNG Audit

1/2 place des saisons
92400 Courbevoie - Paris-La Défense 1
France

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

RCI Banque S.A.

Registered office: 15 rue d'Uzès - 75002 Paris
Share capital: €.100 000 000

Statutory auditors' report on the consolidated financial statements

For the year ended 31st December 2017

To the general meeting of the Company RCI Banque S.A.,

Opinion

In compliance with the engagement entrusted to us by your general meeting, we have audited the accompanying consolidated financial statements of RCI Banque S.A. for the year ended December 31, 2017.

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, 2017 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.

The audit opinion expressed above is consistent with our report to the Accounts and Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5, paragraph 1 of Regulation (EU) No 537/2014 or in the French Code of ethics (Code de déontologie) for statutory auditors.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Individual impairment losses on receivables from dealer network

Risk identified

The Group RCI Banque recognizes impairment losses to cover the risk of non-recovery of loans granted to dealers.

As indicated in note 3.E) to the consolidated financial statements, the impairment loss for credit losses on dealer network financing is determined on a case-by-case and individual basis depending the status of the receivables (performing, delinquent, doubtful, compromised)

The impairment loss for doubtful receivables are determined on a case-by-case and individual basis acording to the type of the receivables and the counterparty's classification.

For our audit, these impairment losses estimated on an idividual basis comprise a significant part of assumptions requiring judgement from management with potential material impacts on the group net results.

Given the complexity of the assumptions used to estimate these credit risks and the related impairment losses, as well as the judgment required from management, we consider that the determination of the recoverable value of dealer network receivables is a key audit matter.Impairment losses on individual basis on doubtful receivables (including compromised receivables) for credit losses on dealer network are presented on note 6 to the consolidated financial statements and amount to 33 million euros for a gross value of receivables of 11 126 million euros.

Our audit response

Our procedures regarding individual impairment mainly consisted in:

- Understanding the evaluation process for these impairment losses and the internal control procedures related to the identification of risk indicators of non-recovery of receivables and the governance and monitoring of the allowances for impairment loss;
- Reconciling the amount of receivables subject to an individual impairment allowances with the amount of receivables included in the impairment loss calculation;
- Assessing the relevance of loss assumptions;
- Performing analytical procedures on receivables and impairment allowances.

Statistical impairment of receivables from retail customers

Risk identified

Retail customer receivables amount to 33 349 million euros as at December 31, 2017.
As indicated in note 3.E) to the consolidated financial statements, impairment losses for credit risk on retail customers are calculated on an individual and statistical approach using models.

Given the complexity of the assumptions used to estimate these credit risks for the statistical impairment and the related impairment losses, we consider that this credit risk is a key audit matter.

Impairment losses on retail customers are presented on note 6 to the consolidated financial statements and amount to 439 million euros as at December 31, 2017.

Our audit response

Our procedures regarding statistical impairment mainly consisted in:

- Understanding the evaluation process for these impairment losses and the internal control procedures related to the identification of indicators of impairment loss and the calibration of statistical impairment models;
- Performing an analysis of the historical payment behaviors as compared to the parameters used in the models;
- Testing the statistical matrices for loss migration;
- Checking the correct recording in the group accounts of the impairment loss coming from the models for statistical impairment;
- Performing analytical procedures of the variances of receivables and impairment allowances.

Verification of the Information Pertaining to the Group Presented in the Management Report

As required by law we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of board of directors.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of RCI Banque S.A. by the annual general meeting held on May 22, 2014 for KPMG S.A. and on June 27, 1980 for ERNST & YOUNG Audit (named, Helios at that time).

As at December 31, 2017, KPMG S.A. and ERNST & YOUNG Audit were in the fourth year and thirty-eights year of total uninterrupted engagement, since the Company is considered as a PIE (Public Interest Entity) as defined by the European regulation.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Accounts and Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Accounts and Audit Committee

We submit a report to the Accounts and Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Accounts and Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Accounts and Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Accounts and Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, February 23, 2018

The statutory auditors
French original signed by

Valéry Foussé	Bernard Heller
Partner	*Partner*

CONSOLIDATED FINANCIAL STATEMENTS OF THE RCI BANQUE GROUP

31 December 2017

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	**Notes**	**12/2017**	**12/2016**
Cash and balances at central banks		1 303	1 040
Derivatives	2	123	238
Financial assets available for sale and other financial assets	3	1 287	955
Amounts receivable from credit institutions	4	1 124	1 024
Loans and advances to customers	5 et 6	43 430	37 923
Current tax assets	7	36	44
Deferred tax assets	7	112	106
Tax receivables other than on current income tax	7	231	316
Adjustment accounts & miscellaneous assets	7	1 009	748
Investments in associates and joint ventures	8	102	97
Operating lease transactions	5 et 6	839	715
Tangible and intangible non-current assets	9	29	28
Goodwill	10	84	86
TOTAL ASSETS		**49 709**	**43 320**

LIABILITIES AND EQUITY - In millions of euros	**Notes**	**12/2017**	**12/2016**
Central Banks	11.1	2 500	2 000
Derivatives	2	118	97
Amounts payable to credit institutions	11.2	2 444	1 845
Amounts payable to customers	11.3	15 844	13 267
Debt securities	11.4	21 339	19 544
Current tax liabilities	13	108	88
Deferred tax liabilities	13	422	333
Taxes payable other than on current income tax	13	28	28
Adjustment accounts & miscellaneous liabilities	13	1 632	1 556
Provisions	14	124	147
Insurance technical provisions	14	418	343
Subordinated debt - Liabilities	16	13	12
Equity		4 719	4 060
- Of which equity - owners of the parent		*4 684*	*4 046*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*3 421*	*2 827*
Unrealised or deferred gains and losses		*(272)*	*(197)*
Net income for the year		*721*	*602*
- Of which equity - non-controlling interests		*35*	*14*
TOTAL LIABILITIES & EQUITY		**49 709**	**43 320**

CONSOLIDATED INCOME STATEMENT

In millions of euros	**Notes**	**12/2017**	**12/2016**
Interest and similar income	24	1 992	1 844
Interest expenses and similar charges	25	(769)	(761)
Fees and commission income	26	492	27
Fees and commission expenses	26	(209)	(17)
Net gains (losses) on financial instruments at fair value through profit or loss	27	18	9
Net gains (losses) on AFS securities and other financial assets	28	(4)	1
Income of other activities	29	808	1 050
Expense of other activities	29	(700)	(681)
NET BANKING INCOME		**1 628**	**1 472**
General operating expenses	30	(514)	(456)
Depreciation and impairment losses on tangible and intangible assets		(8)	(7)
GROSS OPERATING INCOME		**1 106**	**1 009**
Cost of risk	31	(44)	(104)
OPERATING INCOME		**1 062**	**905**
Share in net income (loss) of associates and joint ventures	8	15	7
Gains less losses on non-current assets			
PRE-TAX INCOME		**1 077**	**912**
Income tax	32	(329)	(286)
NET INCOME		**748**	**626**
Of which, non-controlling interests		27	24
Of which owners of the parent		721	602
Net Income per share (1) in euros		720,85	601,59
Diluted earnings per share in euros		720,85	601,59

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	12/2017	12/2016
NET INCOME	**748**	**626**
Actuarial differences on post-employment benefits	(1)	(8)
Total of items that will not be reclassified subsequently to profit or loss	***(1)***	***(8)***
Unrealised P&L on cash flow hedge instruments	(2)	(28)
Unrealised P&L on AFS financial assets	1	
Exchange differences	(78)	(6)
Total of items that will be reclassified subsequently to profit or loss	***(79)***	***(34)***
Other comprehensive income	**(80)**	**(42)**
TOTAL COMPREHENSIVE INCOME	**668**	**584**
Of which Comprehensive income attributable to non-controlling interests	22	13
Comprehensive income attributable to owners of the parent	646	571

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 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 defined-benefit pension plans					(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**
Appropriation of net income of previous year			602			(602)			
Equity at 1 January 2017	**100**	**714**	**3 429**	**(175)**	**(22)**		**4 046**	**14**	**4 060**
Change in value of financial instruments (CFH & AFS) recognized in equity					2		2	(3)	(1)
Actuarial differences on post-employment benefits					(1)		(1)		(1)
Exchange differences				(76)			(76)	(2)	(78)
Net income for the year (before appropriation)						721	721	27	748
Total comprehensive income for the period				***(76)***	***1***	***721***	***646***	***22***	***668***
Effect of acquisitions, disposals and other			(2)				(2)	20	18
Dividend for the year								(53)	(53)
Repurchase commitment of non-controlling interests			(6)				(6)	32	26
Equity at 31 December 2017	**100**	**714**	**3 421**	**(251)**	**(21)**	**721**	**4 684**	**35**	**4 719**

(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 2017 relates primarily to Argentina, Brazil, the United Kingdom, South Korea, Russia and Turkey. At 31 December 2016, it related primarily to Argentina, Brazil, the United Kingdom, Russia, Turkey and South Korea.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and available-for-sale assets for -€7m and IAS 19 actuarial gains and losses for -€14m at end-December 2017.

CONSOLIDATED CASH FLOW STATEMENT

En millions d'euros	12/2017	12/2016
Net income attributable to owners of the parent company	**721**	**602**
Depreciation and amortization of tangible and intangible non-current assets	7	6
Net allowance for impairment and provisions	50	77
Dividends received of associates and joint ventures		1
Share in net (income) loss of associates and joint ventures	(15)	(7)
Deferred tax (income) / expense	83	34
Net loss / gain from investing activities	4	
Net income attributable to non-controlling interests	27	24
Other (gains/losses on derivatives at fair value through profit and loss)	(10)	7
Cash flow	**867**	**744**
Other movements (accrued receivables and payables)	(15)	20
Total non-monetary items included in net income and other adjustments	***130***	***162***
Cash flows on transactions with credit institutions	1 155	844
- Inflows / outflows in amounts receivable from credit institutions	*(6)*	*(14)*
- Inflows / outflows in amounts payable to credit institutions	*1 161*	*858*
Cash flows on transactions with customers	(3 513)	(4 184)
- Inflows / outflows in amounts receivable from customers	*(6 184)*	*(6 748)*
- Inflows / outflows in amounts payable to customers	*2 671*	*2 564*
Cash flows on other transactions affecting financial assets and liabilities	1 874	1 614
- Inflows / outflows related to AFS securities and similar	*(351)*	*(299)*
- Inflows / outflows related to debt securities (1)	*2 211*	*2 019*
- Inflows / outflows related to collections	*14*	*(106)*
Cash flows on other transactions affecting non-financial assets and liabilities	61	279
Net decrease / (increase) in assets and liabilities resulting from operating activities	**(423)**	**(1 447)**
Net cash generated by operating activities (A)	**428**	**(683)**
Flows related to financial assets and investments	(23)	(33)
Flows related to tangible and intangible non-current assets	(8)	(6)
Net cash from / (used by) investing activities (B)	**(31)**	**(39)**
Net cash from / (to) shareholders	(49)	(14)
- Dividends paid	*(53)*	*(14)*
- Inflows / outflows related to non-controlling interests	*4*	
Net cash from / (used by) financing activities (C)	**(49)**	**(14)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (I	**(12)**	**(7)**
Change in cash and cash equivalents (A+B+C+D)	**336**	**(743)**
Cash and cash equivalents at beginning of year:	1 639	2 382
- Cash and balances at central banks	*1 040*	*1 937*
- Balances in sight accounts at credit institutions	*599*	*445*
Cash and cash equivalents at end of year:	1 975	1 639
- Cash and balances at central banks	*1 303*	*1 040*
- Credit balances in sight accounts with credit institutions	*906*	*810*
- Debit balances in sight accounts with credit institutions	*(234)*	*(211)*
Change in net cash	**336**	**(743)**

(1) Impact de change positif sur l'émission de dette en devise de +9 millions d'euros

(1) Positive foreign exchange impact on debt issuance in foreign currencies of +9 million euros

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 15, rue d'Uzès 75002 Paris, 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 2017 were established by the Board of Directors on 12 February 2018 and will be presented for shareholder approval to the Annual General Meeting on 22 May 2018.

As a reminder, the General Meeting of 22 May 2017 also put forward a proposal not to distribute dividends on the 2016 result.

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2017

- RCI Colombia S.A., in which a 51% stake is held, has been included in the scope of consolidation since February 2017 as a fully consolidated new entity. Its business mainly consists in financing customer and dealer sales in Colombia.

- .

- A new *Fonds commun de titrisation* issue:
    - In July 2017, Cars Alliance DFP Germany issued AAA-rated notes backed by independent dealer receivables for €675 million.

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.

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 2017, its income before tax came to €1.26m.

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 2017 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) to 31 December 2017 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 2017.

New standards, improvements and amendments application of which became mandatory as of 1 January 2017	
Amendment to IAS 7	Disclosure initiative
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Annual improvements 2014-2016	Various provisions

None of these standards, improvements or amendments had any significant impact on the consolidated financial statements at end-December 2017.

The group is currently examining implementation of new IFRS standards that will shortly become applicable.

New IFRS standards adopted by the European Union		Application date according to the IASB
IFRS 9	Financial Instruments	1st January 2018(1)
IFRS 15	Revenue from Contracts with Customers	1st January 2018(1)

(1) Early application possible.

<u>IFRS 9 - Financial Instruments</u>:

IFRS 9 - Financial Instruments, published by the IASB in July 2014 to replace IAS 39 "Financial Instruments: Recognition and Measurement", covers the following three phases: classification and measurement, impairment, and hedge accounting. The IASB is treating macro hedging as a separate project.
IFRS 9, implementation of which will be mandatory as from 1st January 2018, has been adopted by the European Union. Its impact on RCI Banque's financial statements is currently being analyzed.

The changes brought by IFRS 9 include:

- an approach to the classification and measurement of financial assets reflecting the business model in which they 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 be measured at fair value through profit or loss, whereas "basic" loans and debt instruments will be measured at amortized cost or fair value through equity, depending on the management model used for those assets. The changes relating to financial liabilities concern liabilities measured at fair value through profit or loss, for which changes in own credit risk must be recognized in equity.

- a single credit risk impairment model: IFRS 9 moves from provisioning based on actual credit losses to a forward-looking provisioning model based on expected credit losses:
  - The new impairment model will require 12-month expected credit losses on issued or acquired instruments to be booked as soon as those instruments are recognized on the balance sheet.
  - 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 eligible hedging instruments. Pending a future macro-hedging standard, IFRS 9 allows current hedge accounting rules (IAS 39) to be applied to all hedging relationships or just to macro hedging relationships.

This standard is effective from 1 January 2018 and may be applied early. Changes in accounting rules resulting from adoption of IFRS 9 are going to be applied using the retrospective method in the financial statements for the financial year ending 31 December 2018, with the exception of the points described hereafter:

- the consolidated financial statements for financial year 2017 presented as the comparative period have not been restated to take IFRS 9 into account; they reflect the accounting principles in effect under IAS 39 "Financial Instruments– Recognition and Measurement" and are therefore identical to the financial statements published in the previous year;

- the book value differences for financial assets on the date of initial implementation of IFRS 9 have been recorded under Equity in Reserves; the "Effects of restatements of financial assets" table summarizes these restatements;

- the classification of financial assets has been performed in accordance with the business model the Group follows in its management of such assets.

At RCI Banque, the main stages of implementation of this new standard are as follows:

- How classification under IFRS 9 will be performed (phase 1):

a. Business model criteria

Generally speaking, the RCI Banque group's business model is as follows; the aim is to
- to hold customer contracts so as to collect contractual cash flows ("collect business model");
- hold securities so as to collect cash and sale flows ("collect & sale business model").

In light of RCI Banque's activity and management mandates, there is no intention or realization of trading / realization of gains or losses in relation to a change of market value of the financial instrument under consideration that would justify measurement of the financial instrument at fair value through profit or loss.

b. SPPI test

In addition to the aforementioned business model criteria, a second test relating to contractual payment flows is to be implemented to determine the method of measuring financial instruments.

A SPPI test has been uniformly developed in accordance with IFRS 9, and a "SPPI questionnaire" defined by the RCI Banque Group Consolidation & Standards unit.
The purpose of this questionnaire is to identify those financial instruments that need to be reclassified and those for which further analyses might be required (or that need to be restructured). Focus points are: pricing formula (indexing, leverage), early redemption clauses and step-up clauses.

As a result:
UCITS measured at fair value through other comprehensive income (FVTOCI) are now to be measured at fair value through profit or loss (FVTPL). This is the only type of asset that does not pass SPPI tests at RCI.
With respect to the other categories of financial assets under IFRS 9, in particular financing receivables, SPPI tests are validated. Note that the factoring agreement has been amended in order to pass the SPPI test (withdrawal of the indexing clause).

Reminder
Fair value through other comprehensive income (FVOCI) is measurement at fair value where any changes in value are recognized in a revaluation reserve directly in equity.

Fair value through Profit or Loss is measurement at fair value where any changes in value are recognized directly in profit or loss.

- Presentation of the new IFRS 9 categories

Assets:
Changes to be noted are:
- UCITS are now measured at fair value through P&L (under IAS 39, they were measured at fair value through OCI): they do not pass SPPI tests;
- non-consolidated holdings measured at fair value through P&L (under IAS 39, they were at historical cost): RCI Banque is not going to apply the alternative method and so this type of security is now measured at fair value through P&L.
There are no measurement changes for any other categories.

Liabilities:

Note that no reclassification needs to be effected for financial liabilities.

- Significant deterioration in risk (definition of bucketing):

Each financial instrument included within the scope of IFRS 9 will, at statement closing date, have to be risk-classified. The risk category in which it is classified will depend on whether or not it has undergone any significant deterioration in its credit risk since its initial recognition. The level of provisioning for expected credit losses to be booked for each instrument will depend on this classification:

- Bucket 1: no deterioration or insignificant deterioration in credit risk since origination;
- Bucket 2: significant deterioration in credit risk since origination;
- Bucket 3: deterioration in credit risk such that a loss is incurred (default category).

This segmenting of transactions by level of risk, brought in by the standard, will have to be embedded in the credit risk monitoring and management processes used by the group's entities, and implemented in operational systems.
In that significant deterioration in risk is determined in relation to the moment of approval, the date of origination needs to be defined.

The date of origination is defined for each individual financial instrument, not for each counterparty (e.g. date on which business relationship initiated). The date of origination is defined as follows :
- for irrevocable financing commitments, the date of origination is the date on which the commitment is signed, or in the case of Dealer financing commitments, the date of the most recent review of limits;
- for installment loan outstandings, finance lease and operating lease transactions, the date of origination is the date on which they come under management, i.e. date on which the financing commitment is reversed and the receivable recognized on the balance sheet;
- for Dealer credit "single account" outstandings, the date of origination will be the date on which the account most recently went into a negative balance;
- for securities, the date of origination is the date of purchase.

Indicators for identifying significant deterioration in risk since origination

The RCI Banque group has analysed the fitness for purpose and availability of these indicators, and their appropriateness from the risk management perspective across all of these portfolios.
In line with the principle of proportionality, this analysis identified a number of main portfolio families according to the following criteria:

- Geographical criteria: countries that have an internal rating system for most of their outstandings based on behavioral scores used to monitor the quality of facilities in the portfolio are to be identified separately. These countries are known as the "G7 countries". The other countries have approval scoring but do not have internal rating systems that are updated during the receivable lifecycle;

- Product criteria: loans to Customers or Dealers, which are subject to advanced monitoring by means of specific indicators, need to be looked at separately from other more "marginal" types of product in the group's activities, such as factoring, the securities portfolio and operating leases;

- Customer criteria: a distinction needs to be made between the different customer bases considered, for example Consumers, Dealer network, very large companies, and even banks and governments (for securities).

On the basis of the work and analyses performed, the system defined within the RCI Banque group takes into account the segmentation characteristics mentioned above. On this basis, the approach to monitoring significant deterioration in risk for non-doubtful facilities relies on the following indicators:

1. Portfolios covered by an internal rating system: the internal rating must be used;
2. Portfolios that do not have any internal rating but do have external ratings: the external rating must be considered if the information is available at a reasonable cost and within a reasonable time limit;
3. All portfolios: significant deterioration in risk will also use the number of days' arrears indicator;
4. All portfolios: the forbearance indicator must be considered as a "qualitative" indicator for downgrading to bucket 2.

Where the indicator used is an internal or external rating, significant deterioration will be measured by comparing the counterparty's rating on the reporting date with the counterparty's rating on the date of origination of the facility.

There is no contagion principle in IFRS 9 for non-doubtful facilities : an entity may have various contracts with a

given counterparty that are in different buckets, as credit risk is assessed in relation to contract origination.
As regards entities that do not have an internal rating system for their loans to customers, the RCI Banque group has decided to introduce a memory effect with respect to the existence of past arrears, meaning that once an overdue payment has been settled, the facility concerned will temporarily remain in bucket 2.

Rebuttable presumption of significant deterioration when payments are more than 30 days past due
The standard introduces a rebuttable presumption for payments that are more than 30 days past due §5.5.11. It allows use of this presumption as a safety net on top of other, earlier, indicators of a significant increase in credit risk.
This presumption is aligned with risk monitoring and management practices within the RCI Banque group.
Consequently, the group has decided not to refute this presumption and to consider that all facilities for which payments are more than 30 days past due are in bucket 2.

Rebuttable presumption of signification deterioration when payments are 90 days past due
IFRS 9 indicates a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.
This presumption is aligned with the current definition of default within the RCI Banque group as presented above.
Consequently, the group has decided not to refute this presumption and to consider that all facilities with payments that are more than 90 days past due are in bucket 3.
This presumption may however be refuted for certain targeted portfolios (e.g. loans to large companies) with the agreement of the Corporate risk department concerned. At each statement closing date, facilities for which this presumption has been refuted will be listed and the reason duly documented.

- The write-off policy including factors enabling the conclusion that there is no reasonable expectation of recovery

The treatment of write-offs is detailed in IFRS 9 §5.4.4: the gross carrying amount of a financial asset shall be reduced when there are no reasonable expectations of recovery. The standard states that a definition of the downgrade is needed so that the gross carrying amount is represented fairly. A write-off is considered a derecognition event and may relate to either the financial asset in its entirety or a portion of it.

The current group standard for writing off receivables as bad debt is in line with the definition given by IFRS 9. Subsidiaries are required to remove outstandings from the balance sheet through a loss account once it has been confirmed that they will never be collected, which therefore means no later than when the subsidiaries' rights as creditors are extinguished.

In particular, receivables become irrecoverable (bad debt) and are therefore removed from the balance sheet if they are:

- receivables write-off of which has been negotiated with the customer, for example as part of a recovery or remedial plan;
- time-barred claims;
- receivables in respect to which an unfavorable legal ruling has been issued (negative outcome of proceedings initiated or legal action);
- claims against a customer who has vanished.

- Definition of default used at RCI Banque

The definition of the risk of default under IAS 39 is not affected by IFRS 9 and therefore RCI is going to retain its definitions of doubtful and compromised receivables when establishing its B3 "bucketing".

It is also important to note that at the RCI Banque group level, the notion of "doubtful" used in accounting and the Basel notion of "default" are closely aligned.

The decision to take the doubtful debt accounting notion existing under IAS 39 as a basis for identifying B3 assets was made for the following reasons:
- Insignificant differences between the two notions;
- Continuity in the doubtful debt base between IAS 39 and IFRS 9.

As a reminder, with respect to the "Customer" business, a receivable is considered as doubtful as soon as:

- one or more installments have remained unpaid for at least three months;
- or the deterioration in the counterparty's financial circumstances translates into a risk of non-collection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets, or in the event of summons to appear before an international court;
- or there are litigation proceedings between the establishment and its counterparty.

With respect to the Dealer business, the definition of default is covered by a specific procedure based on:

- the existence of an installment that has remained unpaid for more than three months (or first unpaid installment on a forborne exposure);
- the existence of a collective procedure;
- the presence of indicators that express uncertainty as to future payment such as financial contract end, actual fraud…

Reminder: Compromised receivables are doubtful loans for which the likelihood of collection is remote and that are expected to be written off.
A receivable is classified as compromised when the counterparty is declared to have defaulted, or in leasing, when the lease agreement is terminated, and in any event, one year at the latest after the receivable has been classified as doubtful.
If after a receivable has been reclassified as sound, the debtor does not meet the payment deadlines set, that receivable is immediately downgraded to compromised receivable status.

Purchased or originated credit impaired loans (POCI): these financial assets, which are credit-impaired at the time of their creation (loans to a doubtful dealer for example) are treated differently, as they are impaired at initial recognition. Such transactions are classified in Bucket 3 at initial recognition.
Within the RCI Banque group, this category mainly concerns the Dealer customer base, which may continue to receive financing even when the dealer has been classified as defaulted. This category of receivables must be kept to a minimum and is subject to Risk Committee agreement.
The acquisition of receivables (doubtful or sound) is not part of the RCI Banque group's business model.

The following are not included as receivables in default:

- disputed receivables: receivables where the customer refuses to make payment further to a dispute over interpretation of the clauses in the contract (if the customer's financial situation does not seem to be compromised);
- customers with negotiable payment terms if, and only if, there is no doubt that the debt will be collected;
- receivables that are affected by a country risk only: a receivable should not be considered as doubtful just because a country risk exists.

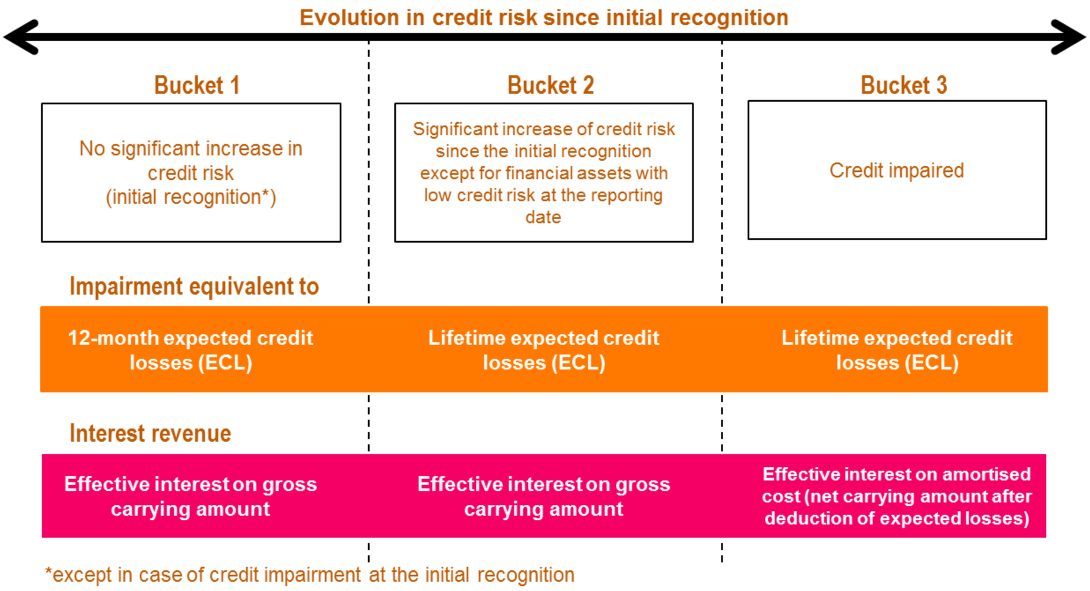
- Calculating ECL (phase 2):

Under IFRS 9, there is no longer any need for an operative event to occur for an impairment to be booked, as was the case under IAS 39 ("incurred loss"). Thus, all financial instruments within the scope of the standard are assigned an impairment for expected losses at initial recognition:

- At initial recognition, the instrument is assigned a loss allowance representing 12-month expected credit losses (Bucket 1);
- If there has been a significant increase in credit risk since initial recognition, the instrument is then assigned a loss allowance representing lifetime expected credit losses.

The provisioning model covers assets measured at Amortized Cost or at Fair Value through OCI (as per the classification resulting from Phase 1) and must align with the monitoring of increasing credit risk.

This general impairment model can be illustrated as follows:



POCI= refer to definition of default

The main guidelines for this new provisioning model are as follows:

1. The aim is a relative approach to deterioration per instrument rather than an absolute approach based on the crossing of a single risk threshold.

2. The provisioning model for expected losses has to be applied symmetrically in the event of a deterioration in credit risk as well as in the event of an improvement

3. The system has to be prospective (forward-looking) with respect not only to aspects of significant deterioration in credit risk, but also in the measurement of expected credit losses

In calculating expected credit losses, the Standard requires entities to incorporate relevant (validated) internal and external information that is reasonably available, in order to make prospective (forward-looking) estimates of credit losses, which includes information about past events, current conditions and forecasts of future events and economic conditions.

In order to assess potential impacts related to macro-economic expectations, an assessment is also required for each of these terms of any links they have with the macro-economic variables, which might then be the subject of specific monitoring when implementing the operational provisioning process.

IFRS 9 stipulates that assessments should consider all the contractual terms of the instrument. The estimates take into account Balance sheet/Off-balance sheet exposures adjusted for future drawdowns and/or early repayments.

As a reminder, a lifetime expected credit loss calculated for Bucket 2 is equivalent to determining the expected loss if the facility goes into default at a given point in its lifetime. In the repayment loan context, the amount to which the group will be exposed depends greatly on the point in time at which the future default event is recorded. Therefore it is important to take repayment schedules into account, so as to give a realistic overview of future exposure.

In addition to contractual schedules, the RCI Banque group also needs to model early repayment rates in order to convey the economic reality of portfolio management. This point has particular impact for facilities for which a lifetime expected loss is measured.

As regards financing commitments where the RCI Banque group has committed to release the relevant funds on customer request, the likelihood that this off-balance sheet commitment will be converted to an on-balance sheet commitment will also have to be assessed. For all other off-balance sheet items, as in the prudential approach, a credit conversion factor (CCF) will have to be taken into account to assess the proportion of off-balance sheet outstandings on the reporting date that will actually be drawn at the future date of defaulting.

Unlike the regulatory approach, no prudence adjustments may be used to take into account the risk related to an economic slowdown.

Unlike the prudential environment, IFRS 9 does not require calibration of a 12-month probability of default. However, to the extent that the RCI Banque group is going to build on the Basel systems to calculate its IFRS 9 parameters, it will need to provide for a methodological or calibration adjustment for facilities whose residual maturity at the reporting date is less than one year.

The standard is not prescriptive in terms of how probabilities of default to be used in calculating lifetime expected loss are to be calibrated. This means that the RCI Banque group is free to choose the approach to calibrating this parameter (term structure, transition matrices, etc.) that it feels is appropriate, provided that it demonstrates the fitness for purpose of the approach selected.

The regulatory PD is calibrated over a long-term average (TTC- through the cycle) whereas the accounting environment has to present an overview at the reporting date taking into account current and expected macro-economic conditions. To do this, RCI Bank & Services has decided to use its stress testing process to adjust future PDs according to future macro-economic variables, and to help experts to make their decisions.

IFRS 9 does not contain any specific reference to a particular observation and collection period for the historical historic data used in calculating LGD parameters. The LGD estimates as determined in the prudential environment using the IRB approach can therefore, for the countries concerned, be used as a starting point, with the necessary adjustments brought to make them compliant with the standard.

As stated previously, the standard requires prospective (forward-looking) information to be considered with respect to both the significant deterioration of risk and to determining ECLs.

The incorporation of prospective outlooks must not be seen as a form of stress-testing and its purpose is not to determine a prudence adjustment to the amount of provisions. The aim is mainly to take into account the fact that past observations are not necessarily a reflection of future expectations and therefore adjustments are needed in relation to a provision amount determined on the basis of parameters calibrated solely on a historical basis.

This adjustment to the provision amount may be upward or downward, provided that it is adequately documented with respect to the assumption/ projection aspects of the macro-economic parameters and to their impact on the calculation parameters.

At RCI Banque, phase 2 of IFRS 9 concerns customer loans and advances (including finance and operating leases) and interbank exposures, off-balance sheet financing commitments and debt instruments in assets that are recognized at amortized cost or FVTOCI under the new IFRS classification.

This therefore means most of the financial assets on the balance sheet within the RCI Banque group. The only financial instruments for which there is no impairment calculation are financial instruments measured at fair value through profit or loss, as their changes in value have a direct impact on the group's profit or loss, and in accordance with the previous section, they are mainly limited to UCITS and non-consolidated holdings.

From an operational point of view, this means that the following products are within the scope of the impairment section of IFRS 9:

instalment loan outstandings:

- Retail
- Corporate for loans granted to dealers
- Corporate for factoring

finance lease outstandings (recognition according to IAS 17)

- leasing (Retail)
- long-term leasing with commitments to take back vehicles outside the RCI Banque group (Corporate)

operating lease receivables due (recognition according to IAS 17)

- battery leases for electric vehicles (Retail)
- leases with risk carried by the subsidiary (Retail)
- short term financing for Renault services vehicles (Corporate)

off-balance sheet commitments:

- financial guarantees granted
- financing commitments that create a legal obligation to grant current credit

securities in assets:

treasury bills and EMTNs eligible or not as HQLA for the short term liquidity coverage ratio (LCR) currently classed as AFS and that will be measured at fair value through OCI under IFRS 9,

NB: As UCITS and non-consolidated holdings are measured at fair value through P&L under IFRS 9, they are not part of the scope of phase 2.

Calculation of ECLs will be based on identified portfolios within RCI Banque's IFRS 9 scope, namely:

Lot 1: credit and financing finance lease to customers, including irrevocable financing commitments and financial guarantees given G7 subsidiaries*

Lot 2: credit to network (dealers and manufacturer), including irrevocable financing commitments and financial guarantees given G6 subsidiaries **

Lot 3: credit and financing finance lease to customers non G7 subsidiaries

Lot 4: credit to network (dealers and manufacturer) non G6 subsidiaries

Interbank lending and securities: Based on market standards or estimated using a simplified methodology: PD via the CDS and LGD curve at 60% or 80% depending on debt type

Lot 5: other financial assets

*Subsidiaries in France, Germany, Spain, Italy, Korea, United Kingdom, Brazil

** Subsidiaries in France, Germany, Spain, Italy, Brazil, United Kingdom

So as to ensure consistency between its prudential risk management system and its accounting system for assessing allowances and provisions, the RCI Banque group, in accordance with the recommendations of the Basel Committee and the EBA, is going, as far as possible, to use the existing Basel system to generate the IFRS 9 parameters needed for its calculations. The portfolios covered by the IRB approach (advanced method) will however require adjustments to parameter calibration to ensure their compliance with IFRS 9 and need to consider economic forecasts and conditions and recent shifts that are not adequately factored in on the reporting period end-date (by comparison with a notion of cycle lows or long-term historical average in the prudential environment).

Thus, an advanced approach based on the Basel credit risk models is implemented for lots 1 and 2. These lots represent more than 85% of the financial assets that are within the scope of IFRS 9. For the other lots, a standardized approach will be used. IFRS 9 does not impose the development of sophisticated methodologies for calculating ECL, which means that a standardized approach can be used for less significant portfolios.

Lot 1: Based on advanced methodology including new IFRS 9-specific parameters: CCF, TRA, PD PIT, ELBE IFRS 9

Lot 2: Based on advanced methodology including new IFRS 9-specific parameters: PD, ELBE IFRS 9

Lot 3: Based on simplified methodology using roll rate transition matrices

Lot 4: Based on simplified methodology using roll rate transition matrices

Interbank lending and securities: Based on market standards or estimated using a simplified methodology: PD via the CDS and LGD curve at 60% or 80% depending on debt type

Lot 5: simplified method of provisioning

- Hedge accounting (phase 3)

The possibilities offered by IFRS 9 in terms of hedge accounting do not call into question the treatment used up until now. RCI Banque will keep its method of hedge accounting (refer to P-Derivatives and hedge accounting).

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.

IFRS 16 - Leases:

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.
The group does not intend to early adopt the accounting standard.

IFRS 17 - Insurance Contracts:

New IFRS standards not adopted by the European Union		Effective date according to the IASB
IFRS 17	Insurance Contracts	1st January 2021

IFRS 17 *Insurance Contracts* was published on 18 May 2017 by the IASB. Subject to its adoption by the European Union, it will become effective in 2021. It replaces the current IFRS 4 *Insurance Contracts*.
At this stage, the group does not intend to early adopt the accounting standard.

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 €154m at 31 December 2017, against €203m at 31 December 2016. 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, compromised loans being understood as doubtful loans more than 360 days old, 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, compromised receivables being understood as doubtful outstandings more than 360 days old, 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.

An individual 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 2016. 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 (IAS17)

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 2017, the RCI Banque group had provided €20.655m in new financing (including cards) compared with €17.984m at 31 December 2016.

- **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 2017, dealer financing net of impairment allowances amounted to €10.948m against €10.067m at 31 December 2016.
At 31 December 2017, direct financing of Renault Group subsidiaries and branches amounted to €937m against €747m at 31 December 2016.
At 31 December 2017, the dealer network had collected, as a business contributor, income of €757m against €645m at 31 December 2016.

- **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 2017, this contribution amounted to €599m against €474m at 31 December 2017.

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.

- Debt instruments:

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 or the increasing probability of borrower bankruptcy, the aggregate loss that has been recorded directly under equity must be removed from equity and recognized in the income statement.

- Investments in companies where no control or significant influence over the investee is exercised:

Investments in companies where no control or significant influence over the investee is exercised are classified as assets "available for sale" (AFS). The fair value of these financial assets is determined first and foremost by referring to the market price, or failing this, using measurement methods not based on market data.

Changes in the fair value of assets "available for sale" are recognized under other comprehensive income. In the event of a significant or prolonged reduction in the fair value of such assets below their acquisition price, an impairment is recorded under profit or loss. A reduction is deemed significant if it exceeds 40% (amount) or prolonged if it exceeds four successive disclosures as a loss (duration).

I) Non-current assets (IAS16/IAS36)

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:

<u>Defined benefit plans:</u>

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 SA.

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 reserves 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 eight 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, PLN, 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 takes into account EBA recommendations on the Internal Liquidity Adequacy Assessment Process (ILAAP) and 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 confirmed lines of credit, assets eligible as collateral in European Central Bank monetary policy transactions, High Quality Liquid Assets (HQLA), and financial assets. 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 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.

Macroeconomic environment

The European Central Bank kept its monetary policy unchanged throughout 2017 and announced that it would extend its asset purchase program until September 2018, albeit cutting the pace of its monthly bond purchases from €60 billion to €30 billion. It also signaled that the current policy of low interest rates would be continued well past the period of quantitative easing.

At the same time, the US Federal Reserve started its balance sheet reduction process and raised its interest rates three times, thereby taking the Fed Funds target range to 1.25-1.50%, a 75bp rise compared with 2016.

To address the surge in inflation driven by the falling value of Sterling, the Bank of England also raised its interest rates by 25bp, to 0.50%.

The Euro swap curve steepened slightly during the year. At end-2017, the 5-year swap was thus around 0.30%, nearing the high point reached in the summer and up about 20bp over the year.

After widening slightly at the start of the year, credit spreads tightened substantially following the French elections.

5. REFINANCING

To support the growth in its business activity, the group issued the equivalent of €6 billion in public bond format in 2017 and extended the maturity of its debt by making an eight-year issue for the very first time. In addition to six bond issues in euros with alternating fixed and floating rate coupons, one bond issue in Swiss francs and a transaction in Sterling were also made. The company initiated and twice used a dual tranche format combining a fixed rate issue with a floating rate issue, and extended its floating rate credit curve by launching its first seven-year issue in this format. In addition, the group also made a number of private format placements for a total of €365m.

The revolving period for the private securitization transaction backed by auto loans in the United Kingdom was extended for a further year and its amount increased by GBP200 million to GBP1.1 billion.

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.

In addition, the group’s entities in Brazil, South Korea, Morocco, Argentina and, for the first time, Poland, also tapped their domestic bond markets.

Retail customer deposits increased €2.4 billion over the year to €15.0 billion at 31 December 2017, representing 34% of assets, 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, €4.4 billion of undrawn committed credit lines, €3.6 billion of assets eligible as collateral in ECB monetary policy operations, €1.8 billion of high quality liquid assets (HQLA) and €0.4 billion of short term financial assets, enable RCI Banque to maintain the financing granted to its customers for about 12 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 2017 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 12/2017
Average performing loan outstandings	29 161	9 738		38 899
Net banking income	1 230	240	158	1 628
Gross operating income	843	190	73	1 106
Operating income	784	205	73	1 062
Pre-tax income	786	204	87	1 077

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

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.

Average Performing Assets (APA) is another indicator used to monitor outstandings. It is equal to average performing outstandings plus assets arising from operating lease operations.
For retail customers, it means the average of performing assets at end-period. For Dealers, it means the average of daily performing assets.

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 (1)	of which Dealers outstandings at year-end
Europe	2017	39 028	28 785	10 243
	2016	33 934	24 408	9 526
of which Germany	*2017*	*6 808*	*5 333*	*1 475*
	2016	5 871	4 402	1 469
of which Spain	*2017*	*4 207*	*3 279*	*928*
	2016	3 426	2 656	770
of which France	*2017*	*13 315*	*9 606*	*3 709*
	2016	11 632	8 253	3 379
of which Italy	*2017*	*5 264*	*3 960*	*1 304*
	2016	4 251	3 156	1 095
of which United-Kingdom	*2017*	*4 787*	*3 897*	*890*
	2016	4 548	3 635	913
of which other countries (2)	*2017*	*4 647*	*2 710*	*1 937*
	2016	4 206	2 306	1 900
Asia Pacific - South Korea	2017	1 561	1 541	20
	2016	1 400	1 389	11
America	2017	2 637	2 049	588
	2016	2 377	1 925	452
of which Argentina	*2017*	*499*	*344*	*155*
	2016	*379*	*289*	*90*
of which Brazil	*2017*	*1 880*	*1 498*	*382*
	2016	*1 998*	*1 636*	*362*
of which Colombia	*2017*	*258*	*207*	*51*
	2016			
Africa, Middle East, India	2017	416	331	85
	2016	389	321	68
Eurasia	2017	191	179	12
	2016	159	149	10
Total RCI Banque group	**2017**	**43 833**	**32 885**	**10 948**
	2016	**38 259**	**28 192**	**10 067**

(1) Including 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	12/2017		12/2016	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**37**	**32**	**48**	**39**
Interest-rate derivatives	3	1	2	
Currency derivatives	34	31	46	37
Other derivatives				2
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**86**	**86**	**190**	**58**
Interest-rate and currency derivatives: Fair value hedges	80	28	179	14
Interest-rate derivatives: Cash flow hedges	6	58	11	44
Total derivatives (*)	**123**	**118**	**238**	**97**
(*) Of which related parties	*7*		*10*	

"Other derivatives" includes the adjustment for credit risk of -€0.3m at 31 December 2017, which breaks down into an income of €0.1m for the DVA and an expense of -€0.4m 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 2013	**6**	**3**	**3**	
Changes in fair value recognized in equity	(27)			
Transfer to income statement	11			
Balance at 31 December 2014	**(10)**	**(6)**	**(4)**	
Changes in fair value recognized in equity	4			
Transfer to income statement	(3)			
Balance at 31 December 2017	**(9)**	**(4)**	**(5)**	

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 12/2017	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	1 889			1 889	
Purchases	1 886			1 886	
Currency swaps					
Loans	691	331		1 022	*82*
Borrowings	664	319		983	*80*
Hedging of interest-rate risk					
Interest rate swaps					
Lender	6 211	9 373	2 350	17 934	
Borrower	6 211	9 373	2 350	17 934	

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	

Note 3 : Financial assets available for sale and other financial assets

In millions of euros	12/2017	12/2016
Financial assets available for sale	**1 260**	**929**
Government debt securities and similar	741	521
Variable income securities	179	109
Bonds and other fixed income securities	340	299
Other financial assets	**27**	**26**
Interests in companies controlled but not consolidated	27	26
Total financial assets available for sale and other financial assets (*)	**1 287**	**955**
(*) Of which related parties	*27*	*26*

Note 4 : Amounts receivable from credit institutions

In millions of euros	12/2017	12/2016
Credit balances in sight accounts at credit institutions	**906**	**810**
Ordinary accounts in debit	895	773
Overnight loans	11	36
Accrued interest		1
Term deposits at credit institutions	**218**	**214**
Term loans	218	214
Total amounts receivable from credit institutions (*)	**1 124**	**1 024**
(*) Of which related parties	*150*	*210*

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 €506m at year-end 2017 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	12/2017	12/2016
Loans and advances to customers	**43 430**	**37 923**
Customer finance transactions	32 993	29 248
Finance lease transactions	10 437	8 675
Operating lease transactions	**839**	**715**
Total customer finance transactions and similar	**44 269**	**38 638**

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 €127m and is impaired by €41m at 31 December 2017.

5.1 - Customer finance transactions

In millions of euros	12/2017	12/2016
Loans and advances to customers	**33 226**	**29 614**
Factoring	655	491
Other commercial receivables	3	2
Other customer credit	31 783	28 379
Ordinary accounts in debit	351	272
Doubtful and compromised receivables	434	470
Interest receivable on customer loans and advances	**53**	**79**
Other customer credit	41	40
Ordinary accounts	7	31
Doubtful and compromised receivables	5	8
Total of items included in amortized cost - Customer loans and advances	**228**	**114**
Staggered handling charges and sundry expenses - Received from customers	(39)	(27)
Staggered contributions to sales incentives by manufacturer or dealers	(526)	(495)
Staggered fees paid for referral of business	793	636
Impairment on loans and advances to customers	**(514)**	**(559)**
Impairment on delinquent or at-risk receivables	(192)	(226)
Impairment on doubtful and compromised receivables	(252)	(290)
Impairment on residual value	(70)	(43)
Total customer finance transactions, net	**32 993**	**29 248**

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.

Impairment on residual value concerns credit (risk carried and not carried).

5.2 - Finance lease transactions

In millions of euros	12/2017	12/2016
Finance lease transactions	**10 541**	**8 756**
Leasing and long-term rental	10 418	8 642
Doubtful and compromised receivables	123	114
Accrued interest on finance lease transactions	**7**	**7**
Leasing and long-term rental	6	5
Doubtful and compromised receivables	1	2
Total of items included in amortized cost - Finance leases	**(16)**	**4**
Staggered handling charges	(7)	(15)
Staggered contributions to sales incentives by manufacturer or dealers	(174)	(110)
Staggered fees paid for referral of business	165	129
Impairment on finance leases	**(95)**	**(92)**
Impairment on delinquent or at-risk receivables	(17)	(16)
Impairment on doubtful and compromised receivables	(77)	(75)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**10 437**	**8 675**

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 12/2017
Finance leases - net investment	4 470	6 052	10	10 532
Finance leases - future interest receivable	355	348		703
Finance leases - gross investment	**4 825**	**6 400**	**10**	**11 235**
Amount of residual value guaranteed to RCI Banque group	2 546	3 285		5 831
Of which amount guaranteed by related parties	*1 741*	*1 681*		*3 422*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	3 084	4 719	10	7 813

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

5.3 - Operating lease transactions

In millions of euros	12/2017	12/2016
Fixed asset net value on operating lease transactions	**866**	**729**
Gross value of tangible assets	1 094	885
Depreciation of tangible assets	(228)	(156)
Receivables on operating lease transactions	**6**	**4**
Accrued interest		1
Non-impaired receivables	6	5
Doubtful and compromised receivables	3	2
Income and charges to be staggered	(3)	(4)
Impairment on operating leases	**(33)**	**(18)**
Impairment on residual value	(33)	(18)
Total operating lease transactions, net (*)	**839**	**715**
(*) Of which related parties	*(1)*	

The amount of minimum future payments receivable under operating non-cancelable lease contracts is as follows

In millions of euros	12/2017	12/2016
0-1 year	71	60
1-5 years	119	168
+5 years		1
Total	**190**	**229**

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 2017, the RCI Banque group’s maximum aggregate exposure to credit risk stood at €50.758m. 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	12/2017	of which non-impaired (1)	12/2016	of which non-impaired (1)
Between 0 and 90 days	574	522	433	387
Between 90 and 180 days	51		45	
Between 180 days and 1 year	20		24	
More than one year	252		259	
Receivables due	**897**	**522**	**761**	**387**

(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 2017, guarantees held on doubtful or delinquent receivables totaled €660m, against €593m at 31 December 2016.

5.5 - Residual values of risk carried by RCI Banque

The total risk on residual values carried by the RCI Banque group amounted to €1.981m at 31 December 2017 against €1.899m at 31 December 2016. It was covered by provisions totaling €67m for the residual value risk carried provision at 31 December 2017 (essentially affecting the United Kingdom).

Note 6 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 12/2017
Gross value	**33 349**	**11 126**	**436**	**44 911**
Non-impaired receivables	32 894	11 019	432	44 345
Doubtful receivables	165	90	3	258
Compromised receivables	290	17	1	308
% of doubtful and compromised receivables	*1,36%*	*0,96%*	*0,92%*	*1,26%*
Impairment allowance on individual basis	**(439)**	**(87)**		**(526)**
Non-doubtful receivables	(143)	(54)		(197)
Doubtful receivables	(88)	(18)		(106)
Compromised receivables	(208)	(15)		(223)
Impairment allowance on collective basis	**(25)**	**(91)**		**(116)**
Impairment	(18)	(91)		(109)
Country risk	(7)			(7)
Net value (*)	**32 885**	**10 948**	**436**	**44 269**
(*) Of which: related parties (excluding participation in incentives and fees pa for referrals)	*21*	*937*	*309*	*1 267*

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-doubtful 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 pa for referrals)	*54*	*747*	*222*	*1 023*

The “Other” category mainly includes buyer and ordinary accounts with dealers and the Renault Group.

The provision for country risk primarily concerns Brazil, Argentina and to a lesser extent, Morocco and Romania.

Note 7 : Adjustment accounts & miscellaneous assets

In millions of euros	12/2017	12/2016
Tax receivables	**379**	**466**
Current tax assets	36	44
Deferred tax assets	112	106
Tax receivables other than on current income tax	231	316
Adjustment accounts and other assets	**1 009**	**748**
Other sundry debtors	337	259
Adjustment accounts - Assets	49	45
Items received on collections	426	282
Reinsurer part in technical provisions	197	162
Total adjustment accounts – Assets and other assets (*)	**1 388**	**1 214**
(*) Of which related parties	*138*	*99*

Deferred tax assets are analysed in note 32.

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	12/2017	12/2016
Reinsurer part in technical provisions at the beginning of period	162	136
Increase of the technical provisions chargeable to reinsurers	45	34
Claims recovered from reinsurers	(10)	(8)
Reinsurer part in technical provisions at the end of period	**197**	**162**

Note 8 : Investments in associates and joint ventures

In millions of euros	12/2017		12/2016	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	24	4	25	2
RN SF B.V.	48	9	41	4
Nissan Renault Financial Services India Private Limited	30	2	31	1
Total interests in associates	**102**	**15**	**97**	**7**

Note 9 : Tangible and intangible non-current assets

In millions of euros	12/2017	12/2016
Intangible assets: net	**6**	**6**
Gross value	36	38
Accumulated amortization and impairment	(30)	(32)
Property, plant and equipment: net	**23**	**22**
Gross value	101	111
Accumulated depreciation and impairment	(78)	(89)
Total tangible and intangible non-current assets	**29**	**28**

Note 10 : Goodwill

In millions of euros	**12/2017**	**12/2016**
Argentina	2	2
United Kingdom	35	37
Germany	12	12
Italy	9	9
South Korea	20	20
Czech Republic	6	6
Total goodwill from acquisitions by country	**84**	**86**

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 2017.

Note 11 : Liabilities to credit institutions and customers & debt securities

11.1 - Central Banks

In millions of euros	**12/2017**	**12/2016**
Term borrowings	2 500	2 000
Total Central Banks	**2 500**	**2 000**

At 31 December 2017, the book value of the collateral presented to the Bank of France (3G) amounted to €6.950m, that means €5.676m in securities issued by securitization vehicles, €168m in eligible bond securities, and €1.106m in private accounts receivable.

11.2 - Amounts payable to credit institutions

In millions of euros	12/2017	12/2016
Sight accounts payable to credit institutions	**234**	**211**
Ordinary accounts	29	12
Overnight borrowings	1	9
Other amounts owed	204	190
Term accounts payable to credit institutions	**2 210**	**1 634**
Term borrowings	2 165	1 567
Accrued interest	45	67
Total liabilities to credit institutions (*)	**2 444**	**1 845**
(*) Of which related parties	*1*	

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	12/2017	12/2016
Amounts payable to customers	**15 768**	**13 214**
Ordinary accounts in credit	109	93
Term accounts in credit	744	566
Ordinary saving accounts	11 456	9 011
Term deposits (retail)	3 459	3 544
Other amounts payable to customers and accrued interest	**76**	**53**
Other amounts payable to customers	28	22
Accrued interest on ordinary accounts in credit	28	10
Accrued interest on term accounts in credit	1	
Accrued interest on ordinary saving accounts	14	16
Accrued interest on customers term accounts	5	5
Total amounts payable to customers (*)	**15 844**	**13 267**
(*) Of which related parties	*788*	*606*

Term accounts in credit include a €700m 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	12/2017	12/2016
Negotiable debt securities (1)	**1 182**	**1 822**
Certificates of deposit	1 018	1 389
Commercial paper and similar	69	355
French MTNs and similar	70	43
Accrued interest on negotiable debt securities	25	35
Other debt securities (2)	**2 272**	**3 064**
Other debt securities	2 271	3 062
Accrued interest on other debt securities	1	2
Bonds and similar	**17 885**	**14 658**
Bonds	17 771	14 521
Accrued interest on bonds	114	137
Total debt securities (*)	**21 339**	**19 544**
(*) Of which related parties	*97*	*137*

(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 German (RCI Banque S.A. Niederlassung Deutschland), UK (RCI Financial Services Ltd), Brazilian (Banco RCI Brasil S.A.), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization offerings.

11.5 - Breakdown of liabilities by valuation method

In millions of euros	12/2017	12/2016
Liabilities valued at amortized cost - Excluding fair value hedge	**34 741**	**30 755**
Central Banks	2 500	2 000
Amounts payable to credit institutions	2 444	1 845
Amounts payable to customers	15 844	13 267
Debt securities	13 953	13 643
Liabilities valued at amortized cost - Fair value hedge	**7 386**	**5 901**
Debt securities	7 386	5 901
Total financial debts	**42 127**	**36 656**

11.6 - Breakdown of financial liabilities by rate type before derivatives

In millions of euros	Variable	Fixed	12/2017
Central Banks		2 500	2 500
Amounts payable to credit institutions	941	1 503	2 444
Amounts payable to customers	12 235	3 609	15 844
Negotiable debt securities	340	842	1 182
Other debt securities	2 272		2 272
Bonds	5 915	11 970	17 885
Total financial liabilities by rate	**21 703**	**20 424**	**42 127**

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**

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	Germany	Brazil
Originator	DIAC SA	DIAC SA	DIAC SA	RCI Banque Succursale Italiana	RCI Bank Niederlassung	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	Receivables independant dealers	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	Cars Alliance DFP Germany 2017	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	July 2017	May 2015
Legal maturity date	August 2030	January 2026	July 2023	December 2031	March 2031	December 2024	May 2027	June 2026	April 2021
Initial purchase of receivables	715 M€	700 M€	1 020 M€	1 234 M€	674 M€	977 M€	822 M€	852 M€	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 20,75%	Cash reserve for 1% Over-collateralization of receivables 11%
Receivables purchased as of 31 December 2017	1 312 M€	114 M€	1 021 M€	1 210 M€	2 366 M€	137 M€	641 M€	818 M€	79 M€
Notes in issue as at 31 December 2017 (including any units held by the RCI Banque group)	Class A Rating : AAA 1 134 M€	Class A Rating : AAA 42 M€	Class A Rating : AAA 750 M€	Class A Rating : AAA 955 M€	Class A Rating : AAA 1 998 M€	Class A Rating : AAA 27 M€	Class A Rating : AAA 563 M€	Class A Rating : AAA 675 M€	Class A Rating : AAA 67 M€
		Class B Rating : A+ 44 M€				Class B Rating : A 57 M€	Class B Rating : AA 23 M€		
	Class B Non rated 181 M€	Class C Non rated 34 M€		Class J Non rated 292 M€	Class B Non rated 174 M€	Class C Non rated 52 M€	Class C Non rated 38 M€		Class B Non rated 9 M€
Period	Revolving	Amortizing	Revolving	Revolving	Revolving	Amortizing	Amortizing	Revolving	Amortizing
Transaction's nature	Retained	Market	Retained	Retained	Retained	Market	Market	Retained	Market

In 2017, 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, an operation was secured by conduit. As this issue was private, its terms and conditions are not disclosed in the above table.

At 31 December 2017, the amount of financing obtained through securitization by conduit totaled €1.682m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €765m.

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 2017, the amount of the sales financing receivables thus maintained on the balance sheet totaled €10.391m (€9.768m at 31 December 2016), as follows:

- Securitization transactions placed on the market: €971m
- Retained securitization transactions: €6.727m

- Private securitization transactions: €2.693m

The fair value of these receivables is €10.344m at 31 December 2017.

Liabilities of €2.272m have been booked under "Other debt securities" for the securities issued during securitization transactions. The fair value of these liabilities is €2.326m at 31 December 2017.

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	12/2017	12/2016
Taxes payable	**558**	**449**
Current tax liabilities	108	88
Deferred tax liabilities	422	333
Taxes payable other than on current income tax	28	28
Adjustment accounts and other amounts payable	**1 632**	**1 556**
Social security and employee-related liabilities	51	42
Other sundry creditors	659	648
Adjustment accounts - liabilities	377	300
Accrued interest on other sundry creditors	542	558
Collection accounts	3	8
Total adjustment accounts - Liabilities and other liabilities (*)	**2 190**	**2 005**
(*) Of which related parties	*286*	*321*

Deferred tax assets are analyzed in note32.

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	12/2016	Charge	Reversals		Other (*)	12/2017
			Used	Not Used		
Provisions on banking operations	**376**	**284**	**(24)**	**(185)**	**(9)**	**442**
Provisions for litigation risks	12	4		(2)	(3)	11
Insurance technical provisions	343	270	(23)	(172)		418
Other provisions	21	10	(1)	(11)	(6)	13
Provisions on non-banking operations	**114**	**14**	**(16)**	**(8)**	**(4)**	**100**
Provisions for pensions liabilities and related	50	6	(5)			51
Provisions for restructuring	1		(1)			
Provisions for tax and litigation risks	60	7	(10)	(5)	(7)	45
Other	3	1		(3)	3	4
Total provisions	**490**	**298**	**(40)**	**(193)**	**(13)**	**542**

(*) 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 €418m at end-December 2017.

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €3.5m at end-December 2017 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	12/2017	12/2016
France	32	33
Rest of world	19	17
Total provisions	**51**	**50**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2017	12/2016
Retirement age	67 years	67 years
Salary increases	1,52%	1,72%
Financial discount rate	1,90%	1,73%
Starting rate	6,25%	4,55%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2017	12/2016	12/2017	12/2016	12/2017	12/2016
Average duration	25 years	26 years	18 years	18 years	12 years	12 years
Rate of wage indexation	3,10%	3,15%	1,00%	1,00%	1,25%	1,25%
Financial discount rate	2,50%	2,70%	0,75%	0,70%	2,00%	1,80%
Actual return rate of hedge assets	8,80%	16,30%	1,22%	1,47%	2,00%	1,80%

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	**91**	**41**		**50**
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
Net return on fund asset (not included in net interest above)		1		(1)
Actuarial gains and losses on the obligation resulting from experience adjustme	(1)			(1)
Expense (income) recorded in Other components of comprehensive income	**1**	**1**		
Employer's contributions to funds		2		(2)
Benefits paid	(3)	(1)		(2)
Effect of changes in exchange rates	(2)	(1)		(1)
Balance at the closing date of the period	**93**	**43**		**50**

Nature of invested funds

In millions of euros	12/2017		12/2016	
	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
Shares	11		10	
Bonds	27		26	
Others	5		5	
Total	**43**		**41**	

Note 15 : Impairments allowances to cover counterparty risk

In millions of euros	12/2016	Charge	Reversals		Other (*)	12/2017
			Used	Not Used		
Impairments on banking operations	**670**	**324**	**(171)**	**(162)**	**(14)**	**647**
Customer finance transactions (on individual basis)	527	287	(167)	(110)	(11)	526
Customer finance transactions (on collective basis)	142	32	(4)	(52)	(2)	116
Securities transactions	1	5			(1)	5
Impairment on non-banking operations	**7**	**2**	**(1)**	**(5)**	**(1)**	**2**
Other impairment to cover counterparty risk	7	2	(1)	(5)	(1)	2
Impairment on banking operations	**12**	**4**		**(2)**	**(3)**	**11**
Provisions for litigation risks	12	4		(2)	(3)	11
Total provisions to cover counterparty risk	**689**	**330**	**(172)**	**(169)**	**(18)**	**660**

(*) 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	12/2017	12/2016
Participating loan stocks	13	12
Total subordinated liabilities	**13**	**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 12/2017
Financial assets	**12 101**	**14 614**	**19 971**	**581**	**47 267**
Cash and balances at central banks	1 303				1 303
Derivatives	13	38	72		123
Financial assets available for sale and other	385	190	506	206	1 287
Amounts receivable from credit institutions	974	70	80		1 124
Loans and advances to customers	9 426	14 316	19 313	375	43 430
Financial liabilities	**14 665**	**5 616**	**18 180**	**3 797**	**42 258**
Central Banks			2 500		2 500
Derivatives	25	28	46	19	118
Amounts payable to credit institutions	690	726	1 028		2 444
Amounts payable to customers	12 459	1 354	1 331	700	15 844
Debt securities	1 491	3 508	13 275	3 065	21 339
Subordinated debt				13	13

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

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 12/2017
Financial liabilities	**14 701**	**5 749**	**18 845**	**3 882**	**43 177**
Central Banks			2 500		2 500
Derivatives	5	12	63	29	109
Amounts payable to credit institutions	679	693	1 028		2 400
Amounts payable to customers	12 415	1 351	1 331	700	15 797
Debt securities	1 458	3 432	13 273	3 065	21 228
Subordinated debt				10	10
Future interest payable	144	261	650	78	1 133
Financing and guarantee commitments	**2 250**	**46**		**7**	**2 303**
Total breakdown of future contractual cash flows by maturity	**16 951**	**5 795**	**18 845**	**3 889**	**45 480**

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**

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 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 2017.

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 - 31/12/2017	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**47 267**	**1 260**	**2 550**	**43 317**	**47 127**	**(140)**
Cash and balances at central banks	1 303		1 303		1 303	
Derivatives	123		123		123	
Financial assets available for sale and other	1 287	1 260		27	1 287	
Amounts receivable from credit institutions	1 124		1 124		1 124	
Loans and advances to customers	43 430			43 290	43 290	(140)
Financial liabilities	**42 258**	**13**	**42 494**		**42 507**	**(249)**
Central Banks	2 500		2 500		2 500	
Derivatives	118		118		118	
Amounts payable to credit institutions	2 444		2 445		2 445	(1)
Amounts payable to customers	15 844		15 844		15 844	
Debt securities	21 339		21 587		21 587	(248)
Subordinated debt	13	13			13	

(*) 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 - 31/12/2016	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

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 2016 and at 31 December 2017 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 2016 and at 31 December 2017.

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 2016 and 31 December 2017 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 - 31/12/2017	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	**1 342**		**1 342**	**41**	**864**		**437**
Derivatives	123		123	41			82
Network financing receivables (1)	1 219		1 219		864		355
Liabilities	**118**		**118**	**41**			**77**
Derivatives	118		118	41			77

(1) The gross book value of dealer financing receivables breaks down into €826m for the Renault Retail Group, whose exposures are hedged for up to €695m by a cash warrant agreement given by the Renault manufacturer (see note 11.3), and €393m 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 - 31/12/2016	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
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.

Note 21 : Commitments given

In millions of euros	12/2017	12/2016
Financing commitments	**2 314**	**2 066**
Commitments to customers	2 314	2 066
Guarantee commitments	**81**	**72**
Commitments to credit institutions	74	67
Customer guarantees	7	5
Other commitments given	**28**	**22**
Commitments given for equipment leases and real estate leases	28	22
Total commitments given (*)	**2 423**	**2 160**
(*) Of which related parties	*12*	*8*

Note 22 : Commitments received

In millions of euros	12/2017	12/2016
Financing commitments	**4 939**	**4 642**
Commitments from credit institutions	4 939	4 642
Guarantee commitments	**12 609**	**10 357**
Guarantees received from credit institutions	234	211
Guarantees from customers	5 919	5 075
Commitments to take back leased vehicles at the end of the contract	6 456	5 071
Total commitments received (*)	**17 548**	**14 999**
(*) Of which related parties	*4 235*	*3 493*

At 31 December 2017, RCI Banque had €4.934m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €3.580m 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 - 12/2017	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(568)	569		1	1	
Position GBP		(342)	469		127		127
Position CHF	517			(514)	3		3
Position CZK	88			(70)	18	1	17
Position ARS	7				7	1	6
Position BRL	151				151		151
Position PLN	398			(385)	13		13
Position HUF	6				6		6
Position RON	6			(6)			
Position KRW	167				167		167
Position MAD	28				28	2	26
Position DKK	151			(148)	3	3	
Position TRY	17				17		17
Position SEK	122			(122)			
Position NOK	1				1	1	
Position RUB	3				3	3	
Position SGD		(30)	30				
Position INR	28				28		28
Position COP	21				21		21
Total exposure	**1 711**	**(940)**	**1 068**	**(1 245)**	**594**	**12**	**582**

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**

The structural foreign exchange position corresponds to the value of foreign currency equity securities held by RCI Banque SA.

Note 24 : Interest and similar income

In millions of euros	12/2017	12/2016
Interests ans similar incomes	**2 540**	**2 289**
Transactions with credit institutions	25	27
Customer finance transactions	1 934	1 714
Finance lease transactions	510	466
Accrued interest due and payable on hedging instruments	60	70
Accrued interest due and payable on Financial assets available for sale	11	12
Staggered fees paid for referral of business:	**(548)**	**(445)**
Customer Loans	(450)	(363)
Finance leases	(98)	(82)
Total interests and similar income (*)	**1 992**	**1 844**
(*) Of which related parties	*645*	*580*

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	12/2017	12/2016
Transactions with credit institutions	(184)	(154)
Customer finance transactions	(126)	(143)
Finance lease transactions	(1)	(1)
Accrued interest due and payable on hedging instruments	(54)	(19)
Expenses on debt securities	(387)	(431)
Other interest and similar expenses	(17)	(13)
Total interest and similar expenses (*)	**(769)**	**(761)**
(*) Of which related parties	*(12)*	*(24)*

Note 26 : Fees and commissions

In millions of euros	12/2017	12/2016	Proforma 12/2016
Fees and commissions income	**492**	**27**	**419**
Commissions	13	10	10
Fees	20	17	17
Incidental commissions from finance contracts	332		286
Commissions from service activities	62		61
Insurance brokerage commission	65		45
Fees and commissions expenses	**(209)**	**(17)**	**(189)**
Commissions	(19)	(17)	(17)
Commissions on services related to finance contracts	(142)		(127)
Commissions on service activities	(48)		(45)
Total net commissions (*)	**283**	**10**	**230**
(*) Of which related parties	*6*	*8*	

To make the financial statements more transparent and easier to read, commissions from finance contracts, commissions from service activities, insurance brokerage commissions and other income and expenses have been reclassified for presentation reasons.
Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities primarily concern insurance and maintenance contracts.

Note 27 : Net gains (losses) on financial instruments at fair value through profit or loss

In millions of euros	12/2017	12/2016
Net gains / losses on forex transactions	7	16
Net gains / losses on derivatives classified in trading securities	(2)	(10)
Net gains and losses on equity securities at fair value	(1)	
Fair value hedges : change in value of hedging instruments	(113)	(78)
Fair value hedges : change in value of hedged items	127	81
Total net gains or losses on financial instruments at fair value	**18**	**9**

Note 28 : Net gains (losses) on AFS securities and other financial assets

In millions of euros	12/2017	12/2016
Financial assets available for sale	**(4)**	
Gains or losses on disposal	(4)	
Other financial assets		**1**
Dividends from non-consolidated holdings	5	2
Charges to (reversals of) impairment allowances	(5)	(1)
Total Net gains (losses) on financial assets available for sale and other (*)	**(4)**	**1**
(*) Of which related parties		*1*

Note 29 : Net income or expense of other activities

In millions of euros	12/2017	12/2016	Proforma 12/2016
Other income from banking operations	**786**	**1 029**	**637**
Incidental income from finance contracts		286	
Income from service activities	423	461	355
Income related to non-doubtful lease contracts	156	115	115
of which reversal of impairment on residual values	*15*	*12*	
Income from operating lease transactions	173	139	139
Other income from banking operations	34	28	28
of which reversal of charge to reserve for banking risks	*14*	*11*	
Other expenses of banking operations	**(682)**	**(665)**	**(493)**
Cost of services related to finance contracts		(127)	
Cost of service activities	(197)	(209)	(164)
Expenses related to non-doubtful lease contracts	(198)	(137)	(137)
of which allowance for impairment on residual values	*(60)*	*(38)*	
Distribution costs not treatable as interest expense	(139)	(85)	(85)
Expenses related to operating lease transactions	(118)	(92)	(92)
Other expenses of banking operations	(30)	(15)	(15)
of which charge to reserve for banking risks	*(14)*	*(5)*	
Other operating income and expenses	**4**	**5**	**5**
Other operating income	22	21	21
Other operating expenses	(18)	(16)	(16)
Total net income (expense) of other activities (*)	**108**	**369**	**149**
(*) Of which related parties	*(49)*	*(4)*	

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities are presented in Note 26.

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	12/2017	12/2016	Proforma 12/2016
Gross premiums issued	326	273	273
Net charge of provisions for technical provisions	(75)	(58)	(58)
Claims paid	(23)	(22)	(22)
Others contract charges including commissions paid	(1)	(1)	(1)
Claims recovered from reinsurers	10	8	8
Others reinsurance charges and incomes	(8)	(8)	(8)
Total net income of insurance activities	**229**	**192**	**192**

Note 30 : General operating expenses and personnal costs

In millions of euros	12/2017	12/2016
Personnel costs	**(268)**	**(240)**
Employee pay	(182)	(161)
Expenses of post-retirement benefits	(16)	(15)
Other employee-related expenses	(67)	(55)
Other personnel expenses	(3)	(9)
Other administrative expenses	**(246)**	**(216)**
Taxes other than current income tax	(39)	(35)
Rental charges	(11)	(9)
Other administrative expenses	(196)	(172)
Total general operating expenses (*)	**(514)**	**(456)**
(*) Of which related parties		*(6)*

Auditors' fees are analysed in paragraph E - fees of auditors and their network, in the general information section.

Moreover, non-audit services that KPMG provided to RCI and the other entities it controls primarily concern (i) comfort letters in connection with bond issues (ii) attest engagements notably regarding CSR information, and (iii) agreed procedures carried out primarily because local regulations so require. Non-audit services that Ernst & Young provided to RCI and the other entities it controls primarily concern (i) comfort letters in connection with bond issues, (ii) agreed upon procedures carried out primarily because local regulations so require.

Average number of employees	12/2017	12/2016
Sales financing operations and services in France	1 461	1 393
Sales financing operations and services in other countries	1 821	1 661
Total RCI Banque group	**3 282**	**3 054**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel-related risks.

Note 31 : Cost of risk by customer category

In millions of euros	12/2017	12/2016
Cost of risk on customer financing	**(58)**	**(83)**
Impairment allowances	(202)	(175)
Reversal of impairment	234	196
Losses on receivables written off	(120)	(138)
Amounts recovered on loans written off	30	34
Cost of risk on dealer financing	**15**	**(17)**
Impairment allowances	(50)	(92)
Reversal of impairment	76	90
Losses on receivables written off	(12)	(16)
Amounts recovered on loans written off	1	1
Other cost of risk	**(1)**	**(4)**
Change in allowance for impairment of other receivables	(1)	(4)
Total cost of risk	**(44)**	**(104)**

This item includes the net increase (decrease) in impairment allowances, losses on receivables written off, and amounts recovered on receivables written off.

Note 32 : Income tax

In millions of euros	12/2017	12/2016
Current tax expense	**(246)**	**(252)**
Current tax expense	(246)	(252)
Deferred taxes	**(83)**	**(34)**
Income (expense) of deferred taxes, gross	(83)	(34)
Total income tax	**(329)**	**(286)**

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 -€3m.

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	12/2017	12/2016
Provisions	30	58
Provisions and other charges deductible when paid	8	11
Tax loss carryforwards	66	55
Other assets and liabilities	82	55
Lease transactions	(489)	(396)
Non-current assets	(1)	(4)
Impairment allowance on deferred tax assets	(6)	(6)
Total net deferred tax asset (liability)	**(310)**	**(227)**

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2017	12/2016
Statutory income tax rate - France	**34,43%**	**34,43%**
Differential in tax rates of French entities	2,97%	1,22%
Differential in tax rates of foreign entities	-5,04%	-6,66%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	0,01%	0,03%
Effect of equity-accounted associates	-0,42%	-0,24%
Other impacts	-1,36%	2,62%
Effective tax rate	**30,59%**	**31,40%**

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2017 change in equity			2016 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	(2)		(2)	(51)	23	(28)
Unrealised P&L on AFS financial assets	1		1			
Actuarial differences	(1)		(1)	(10)	2	(8)
Exchange differences	(78)		(78)	(6)		(6)

Note 33 : Events after the end of the reporting period

No events occurred between the reporting period end date and 12 February 2018, 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 2017.

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	2017	2016
PARENT COMPANY: RCI BANQUE S.A..						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque SA Niederlassung Osterreich	Austria					
RCI Banque S.A. Sucursal en Espana	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 SA	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 Arredamento Mercantil RCI Brasil)	Brazil	60.11			60.11	60.11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			100	100
RCI Colombia S.A. Compania De Financiamiento*	Colombia	51			51	-
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			100	100
RDFM	Morocco	-	100	RCI Finance Maroc	100	100
RCI Financial Services B.V.	Netherlands	100			100	100
RCI Leasing Polska	Poland	100			100	100
RCI COM S.A. **	Portugal	100			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	Romania	100			100	100
RCI Broker De Asigurare S.R.L.	Romania	-	100	RCI Finantare Romania	100	100
RCI Leasing Romania IFN S.A.	Romania	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		(see note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V2013-1	Germany		(see note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V2016-1**	Germany		(see note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Deutschland		
CARS Alliance DFP Germany 2017*	Germany		(see note 12)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans France V 2014-1	France		(see note 12)	Diac S.A.		
FCT Cars Alliance DFP France	France		(see note 12)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(see note 12)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL	Italy		(see note 12)	RCI Banque Succursale Italiana		

	Country	Direct interest of RCI	Indirect interest of RCI %	Indirect interest of RCI Held by	% interest 2017	% interest 2016
Cars Alliance Auto UK 2015 Limited	United-Kingdom			RCI Financial Services Ltd		
Fundo de Investimento em Direitos Creditórios RCI Brasil I	Brazil		(see note 12)	Banco RCI Brasil S.A.		
Fundo de Investimento em Direitos Creditórios RN Brasil I	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 2017

** Entities added to the scope in 2016

B) Subsidiaries in which non-controlling interests are significant

In millions of euros - 31/12/2017 - 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	4	19
Equity: Investments in associates and joint ventures		(1)
Dividends paid to non controlling interests (minority shareholders)		51
Cash, due from banks	5	92
Net outstandings customers loans and lease financings	344	1 876
Other assets	5	163
Total assets	**354**	**2 131**
Due to banks, customer deposits and debt securities issued	301	1 780
Other liabilities	7	88
Net Equity	46	263
Total liabilities	**354**	**2 131**
Net banking income	**24**	**125**
Net income	9	49
Other components of comprehensive income		(18)
Total comprehensive income	**9**	**31**
Net cash generated by operating activities	3	236
Net cash generated by financing activities		(216)
Net cash generated by investing activities		
Net increase/(decrease) in cash and cash equivalents	**3**	**20**

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 €129m at 31 December 2017, against €178m at 31 December 2016.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €25m at 31 December 2017, against €25m at 31 December 2016.

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**

C) Significant associates and joint ventures

In millions of euros - 31/12/2017 - 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	9	4	2
Investments in associates and joint ventures	48	24	30
Dividends received from associates and joint ventures			
Cash, due from banks	114	67	2
Net outstandings customers loans and lease financings	963	600	305
Other assets	35	7	26
Total assets	**1 112**	**674**	**333**
Due to banks, customer deposits and debt securities issued	908	610	45
Other liabilities	52	16	187
Net Equity	152	48	101
Total liabilities	**1 112**	**674**	**333**
Net banking income	**70**	**21**	**17**
Net income	32	8	6
Other components of comprehensive income	(1)		
Total comprehensive income	**31**	**8**	**6**
Net cash generated by operating activities	47	13	(110)
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**47**	**13**	**(110)**

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)**

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

In millions of euros - 31/12/2017

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
France	RCI Banque S.A.	Holding	396	162,1	97,9	(40,9)	6,2	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	344	214,1	145,7	(36,5)	(9,5)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	59	59,4	42,6	(15,1)	0,6	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	52	20,4	10,6	(2,3)	(0,3)	
Belgium	RCI Financial Services S.A.	Financing	30	14,3	10,1	(3,3)	(0,2)	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	137	138,7	93,9	(39,8)	4,0	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	49	13,9	4,4	(0,4)	(1,7)	
South Korea	RCI Financial Services Korea Co. Ltd	Financing	111	63,5	42,6	(9,0)	(0,6)	
Spain	Rci Banque S.A. Sucursal En España	Financing	188	115,5	83,3	(10,3)	(14,3)	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1 023	331,9	191,8	(2,3)	(80,0)	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	5	2,5	2,0			
India	Nissan Renault Financial Services India Private Limited	Financing	172		1,7			
Ireland	RCI Banque, Branch Ireland	Financing	27	15,1	11,2	(1,4)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	201	110,8	66,0	(20,9)	(1,5)	
	ES Mobility S.R.L.	Financing						
Malta	RCI Services Ltd	Holding	26	113,0	108,5	(18,8)	5,8	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	40	23,4	13,3	(5,3)	0,6	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	41	17,2	12,0	(3,1)	0,3	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	59	25,1	15,8	(10,4)	4,2	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	42	19,0	12,1	(4,0)	0,4	
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	11,0	8,1	(1,8)	0,1	
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	68	14,5	10,3	(1,6)	(0,1)	
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	282	99,8	57,4	(14,6)	3,4	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	186	0,4	9,6	(0,1)		
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Bančna podružnica Ljubljana	Financing	30	7,9	3,4	(0,8)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	15	9,2	5,8	(0,9)	(0,4)	
Switzerland	RCI Finance S.A.	Financing	45	24,8	13,2	(2,4)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	61		3,8			
TOTAL			**3 711**	**1 628**	**1 077**	**(246)**	**(83)**	

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 overall limit determined by RCI Banque's Board of Directors.

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€11.9m
Not assigned:	€06.1m
Total sensitivity limit in €m granted by Renault to RCI Banque:	€50m

The indicator monitored internally, discounted sensitivity (Economic Value - EV) 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. This measurement is used to set the limits that apply to the group's management entities.

In accordance with regulatory changes (EBA/GL/2015/08), RCI Banque also measures the sensitivity of the net interest margin (NIM) and the sensitivity of the economic value of equity (EVE).

Calculations are based on average monthly asset and liability gaps which incorporate fixed-rate transactions and floating rate transactions until their next review date.

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.

Over the Year 2017, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€50m).

At 31 December 2017, sensitivity to NII following a 100-basis point rise in rates would have an impact of:

+€4.7m in EUR,

+€0.4m in KRW,

+€0.2m in MAD,

-€2.9m in GBP,

-€0.7m en CHF,

-€0.4m in BRL,

-€0.2m in PLN,

The absolute sensitivity values in each currency totaled €10.1m.

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 (€32m).

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 2017, the RCI Banque group's consolidated forex position is €8.3m.

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 if there is no risk mitigation system by exchange of collateral.

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 % 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 €117m at 31 December 2017, against €328m at 31 December 2016. According to the fixed-rate method, it is €775m at 31 December 2017, against €1,002m at 31 December 2016.

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.