RCI BANQUE

PILLAR III

30 June 2016

SOMMAIRE

LEVERAGE RATIO

The main purpose of the leverage ratio introduced by the Basel 3/CRD IV regulations is to act as a supplementary measure to risk-based capital requirements in order to avoid an excessive development of exposures with regard to own funds.

Article 429 of the Capital Requirements Regulation (CRR), specifying the methods for calculating the leverage ratio was amended and replaced by the Delegated Act 62/2015 of 10 October 2014. The delegated act was published in the OJEU on 18 January 2015. The leverage ratio is calculated as Tier 1 capital divided by total exposures, which include on-balance sheet assets and off-balance sheet items measured using a prudential (non-risk weighted) approach.
Since 1 January 2015, public disclosure of the leverage ratio at least once a year has been mandatory (article 521-2(a) of CRR and article 433 of CRR) and jointly to the disclosure of financial statements (article 45 of BCBS270).

At the end of the current observation period, banking institutions will be required to comply with a minimum leverage ratio from 1 January 2018 onwards, which the Basel Committee has mentioned might be 3%.

The RCI Banque group's leverage ratio estimated in accordance with CRR/CRD IC regulations, incorporating the delegated act adopted in October 2014, was 8.49% at 30 June 2016.

Summary reconciliation of accounting assets and leverage ratio exposures

In millions of euros

Total assets as per published financial statements	**39 978**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	71
Adjustments for derivative financial instruments	91
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 261
Other adjustments	-158
Leverage ratio total exposure measure	**42 243**

Leverage ratio

In millions of euros

On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	39 793
Asset amounts deducted in determining Tier 1 capital	-145
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**39 648**
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	333
Total derivatives exposures	**333**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2 272
Adjustments for conversion to credit equivalent amounts	-11
Total other off-balance sheet exposures	**2 261**
Capital and total exposure mesure	
Tier 1 capital	3 586
Leverage ratio total exposure measure	42 243
Leverage ratio	**8,49%**

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

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

In millions of euros

Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	**39 793**
Trading book exposures	
Banking book exposures, of which:	39 793
Exposures treated as sovereigns	*2 021*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*84*
Institutions	*1 007*
Retail exposures	*22 106*
Corporate	*13 307*
Exposures in default	*220*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1 048*

Disclosure on qualitative items

Description of the processes used to manage the risk of excessive leverage	RCI Banque follows the leverage ratio on a monthly basis with a report to Senior Management. This ratio is also included in the Risk Dashboard sent on a quaterly basis to Board Risk Committee. An internal threshold has been defined and an alert system has been set up.
Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	RCI Banque indicates that its Basel 3 leverage ratio at the end of June 2016 stood at 8.49% versus end of December 2015 at 8.50%. The ratio remains stable with a linear evolution of our exposures and our TIER 1 capital (including half year net income).

LIQUIDITY COVERAGE RATIO (LCR)

The Liquidity Coverage Ratio (LCR) sets a minimum standard for bank liquidity. It aims to ensure that a bank maintains an adequate stock of unencumbered High Quality Liquid Assets (HQLA) that can be converted into cash to meet its liquidity needs during 30 calendar days in a liquidity stress scenario. The LCR is defined as the ratio of HQLA to the total net cash Outflows for the next 30 days. Net outflows represent expected outflows less the minimum between expected inflows and 75% of expected outflows.

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

Q1 2016:

The following table shows the average value of HQLA, Inflows and Outflows based on month-end values for the months of January, February and March 2016.

During the 3 months ending March 2016, the bank maintained an average of 1104M€ in HQLA that were mainly constituted of deposits with the European Central Bank and securities issued by European governments or supranational. The duration of the bond portfolio was less than one year.

In addition, RCI Banque also invested in a fund whose assets are made of debt securities issued by European agencies, sovereigns and supranational issuers. Its targeted average exposure to credit risk is seven 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.

During that period, EUR and GBP denominated HQLA amounted to respectively 87% and 13% of total HQLA.

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

Liquidity requirement linked to derivative transactions is very limited. RCI Banque has not signed Credit Support Annex (CSA) with the counterparties it engages into interest rate swaps, cross currency swaps or FX swaps in order to manage its global interest rate and foreign exchange risk. Securitization swaps may however be subject to bilateral margin calls which remain however non-material.

Monthly average LCR for the 3 months ending March 2016 was 196%. This strong level is explained by a high amount of HQLA. Since commercial banks with which RCI Banque usually invests short term cash surplus were offering deposit rates below the Central Bank deposit rate, cash surplus was left on RCI Banque account at the Banque de France and therefore accounted as HQLA instead of Inflows.

Q1 2016:

Liquidity Coverage Ratio (LCR)

In millions of euros	Valeur non pondérée (moyenne)	Valeur pondérée (moyenne)
High-Quality Liquid Assets (HQLA)		
Total high-quality liquid assets		**1 105**
Cash Outflows		
Retail deposits and deposits from small business customers	8 031	832
Stable deposits		
Less stable deposits	*8 031*	*832*
Unsecured wholesale funding	923	819
Operational deposits (all counterparties) and deposits in networks of cooperative banks		
Non-operational deposits (all counterparties)	*173*	*69*
Unsecured debt	*750*	*750*
Secured wholesale funding		
Additional requirements	100	100
Outflows related to derivative exposures and other collateral requirements	*28*	*28*
Outflows related to loss of funding on debt products	*72*	*72*
Credit and liquidity facilities		
Other contractual funding obligations	416	416
Other contingent funding obligations	2 121	106
Total Cash Outflows		**2 273**
Cash Inflows		
Secured lending (eg reverse repos)		
Inflows from fully performing exposures	3 837	2 263
Other cash inflows	397	397
Total Cash Inflows	**4 234**	**2 660**

Total des HQLA	**1 105**
Total des sorties nettes de trésorerie	**568**
Ratio de Liquidité à Court Terme	**196%**

Q2 2016:

The following table shows the average value of HQLA, Inflows and Outflows based on month-end values for the months of April, May and June 2016.

During the 3 months ending June 2016, the bank maintained an average of 908M€ in HQLA that were mainly constituted of deposits with the European Central Bank and securities issued by European governments or supranational. The duration of the bond portfolio was less than one year.

In addition, RCI Banque also invested in a fund whose assets are made of debt securities issued by European agencies, sovereigns and supranational issuers. Its targeted average exposure to credit risk is seven 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.

During that period, EUR and GBP denominated HQLA amounted to respectively 83% and 17% of total HQLA.

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

Liquidity requirement linked to derivative transactions is very limited. RCI Banque has not signed Credit Support Annex (CSA) with the counterparties it engages into interest rate swaps, cross currency swaps or FX swaps in order to manage its global interest rate and foreign exchange risk. Securitization swaps may however be subject to bilateral margin calls which remain however non-material.

Monthly average LCR for the 3 months ending June 2016 was 188%. This strong level is explained by a high amount of HQLA. Since commercial banks with which RCI Banqueusually invests short term cash surplus were offering deposit rates below the Central Bank deposit rate, cash surplus was left on RCI Banque account at the Banque de France and therefore accounted as HQLA instead of Inflows.

Q2 2016:

Liquidity Coverage Ratio (LCR)

In millions of euros	Total unweighted value (average)	Total weighted value (average)
High-Quality Liquid Assets (HQLA)		
Total high-quality liquid assets		**908**
Cash Outflows		
Retail deposits and deposits from small business customers	8 482	888
Stable deposits		
Less stable deposits	*8 482*	*888*
Unsecured wholesale funding	593	441
Operational deposits (all counterparties) and deposits in networks of cooperative banks		
Non-operational deposits (all counterparties)	*252*	*101*
Unsecured debt	*341*	*341*
Secured wholesale funding		
Additional requirements	114	114
Outflows related to derivative exposures and other collateral requirements	*42*	*42*
Outflows related to loss of funding on debt products	*72*	*72*
Credit and liquidity facilities		
Other contractual funding obligations	529	363
Other contingent funding obligations	2 211	111
Total Cash Outflows	**11 929**	**1 916**
Cash Inflows		
Secured lending (eg reverse repos)		
Inflows from fully performing exposures	2 727	2 128
Other cash inflows	316	316
Total Cash Inflows	**3 043**	**2 443**

Total HQLA	**908**
Total net Cash Outflows	**479**
Liquidity Coverage Ratio	**188%**