RCI BANQUE

RISKS – PILLAR III

30 June 2017

INTRODUCTION

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

It is published on a consolidated basis (article 13 of the CRR) and meets the requirements set out in part 8 of the CRR (articles 431 to 455).

Pillar III is published annually as a whole, but certain important or faster changing items are disclosed half-yearly, or only on a transitional basis (article 492 of the CRR). No non-material, proprietary or confidential information is omitted in this respect (article 432 of the CRR).

KEY FIGURES

Prudential Ratios

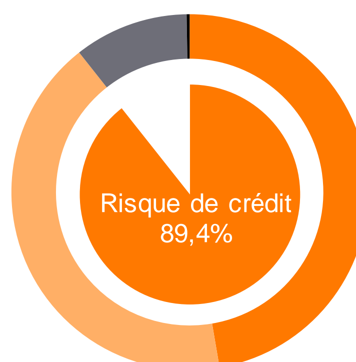
CET1 phased-in Solvency ratio	14,58%
Phased-in Leverage Ratio	8,31%
LCR - Arithmetic Average of the past three months	165%

ROA - Return on Assets (1)

ROA - Return on Assets	1,5%

Own Funds Requirements by Type of Risk

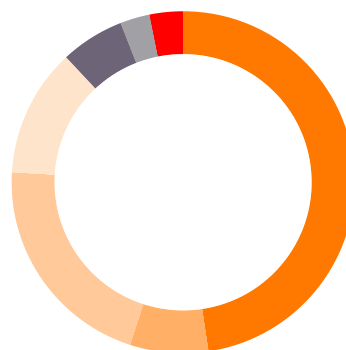
- Credit Risk - Internal Ratings Based Approach 47,3%
- Credit Risk - Standard Approach 42,0%
- Operational Risk 10,4%
- Credit Valuation Adjustment Risk 0,3%
- Market Risk 0,0%



1 Return on assets calculated as the net profit divided by the total balance sheet (CRD IV, article 90-4)

Exposure by exposure Class

- Retail 47,6%
- Retail SME 7,4%
- Corporates 20,9%
- Corporates SME 12,1%
- Central Governments or Central Banks 6,0%
- Institutions 2,8%
- Equity 0,0%
- Other non-credit obligation assets 3,2%



I - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

A - APPLICABILITY - PRUDENTIAL SCOPE

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

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

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

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

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

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

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

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

In millions of euros	Carrying values in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items subject to				
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Not subject or deduction from capital
Assets							
Cash and balances at central banks	1 476	1 476	1 476				
Derivatives	137	137		137			
Financial assets AFS and other financial assets	1 219	1 085	1 085				
Amounts receivable from credit institutions	1 266	1 241	1 241				
Loans and advances to customers	40 942	41 194	41 310				-116
Held-to-maturity financial assets							
Current tax assets	328	12	12				
Deferred tax assets	107	85	41				44
Adjustment accounts & miscellaneous assets	1 031	1 139	1 139				
Non-current assets held for sale							
Investments in associates and joint ventures	101	163	163				
Operating lease transactions	828	827	827				
Tangible and intangible non-current assets	29	29	22				6
Goodwill	84	84					84
Total assets	**47 548**	**47 473**	**47 317**	**137**			**19**
Liabilities							
Central Banks	2 500	2 500					2 500
Derivatives	123	123		6			117
Amounts payable to credit institutions	2 050	2 050					2 050
Amounts payable to customers	14 385	14 853	24				14 829
Debt securities	21 762	21 762					21 762
Current tax liabilities	141	67					67
Deferred tax liabilities	355	355					355
Adjustment accounts & miscellaneous liabilities	1 338	1 249	4				1 246
Non-current liabilities held for sale							
Provisions	128	129					129
Insurance technical provisions	382						
Subordinated debt - Liabilities	12	12					12
Equity	4 372	4 372					4 372
Total liabilities	**47 548**	**47 473**	**28**	**6**			**47 439**

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

In millions of euros	Total	Items subject to :			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation	47 454	47 317	137		
Liabilities carrying value amount under regulatory scope of consolidation	34	28	6		
Total net amount under regulatory scope of consolidation	**47 420**	**47 289**	**131**		
Off-balance sheet amounts	2 709	2 709			
Differences in valuations	-189	-305	116		
Differences due to different netting rules, other than those already included in row 2	-839	-839			
Differences due to consideration of provisions	449	449			
Differences due to prudential filters					
Exposure amounts considered for regulatory purposes	**49 550**	**49 303**	**247**		

Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
RCI Financial Services B.V.	Full consolidation	X				Finance and services company
RCI Finance S.A.	Full consolidation	X				Credit institution
RCI Versicherungs-Service GmbH	Full consolidation	X				Insurance Brokers
Courtage S.A.	Full consolidation	X				Insurance Brokers
RCI Financial Services Ltd	Full consolidation	X				Credit institution
RCI Leasing Romania IFN S.A.	Full consolidation	X				Credit institution
RCI Zrt	Full consolidation	X				Credit institution
RCI Finance Maroc S.A.	Full consolidation	X				Credit institution
OOO RN Finance Rus	Full consolidation	X				Finance and services company
RDFM S.A.R.L	Full consolidation	X				Insurance Brokers
RCI Broker de asigurare S.R.L.	Full consolidation	X				Insurance Brokers
RCI Finance C.Z., S.r.o.	Full consolidation	X				Finance and services company
RCI Financial Services Korea Co. Ltd	Full consolidation	X				Credit institution
RCI Gest Seguros - Mediadores de Seguros Lda	Full consolidation	X				Insurance Brokers
RCI Finantare Romania S.r.l.	Full consolidation	X				Finance and services company
Corretora de Seguros RCI Brasil S.A.	Full consolidation	X				Insurance Brokers
Banco RCI Brasil S.A.	Full consolidation	X				Credit institution
Rombo Compania Financiera S.A.	Full consolidation	X				Credit institution

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Diac Location S.A.	Full consolidation	X				Finance and services company
RCI Banque S.A.	Full consolidation	X				Bank
RCI Banque S.A. Niederlassung Deutschland	Full consolidation	X				Credit institution
RCI Banque S.A. Succursale Italiana	Full consolidation	X				Credit institution
RCI Banque Sucursal Argentina	Full consolidation	X				Credit institution
RCI Banque S.A. Sucursal Portugal	Full consolidation	X				Credit institution
RCI BANQUE S.A. Bančna podružnica Ljubljana	Full consolidation	X				Credit institution
Rci Banque S.A. Sucursal En España	Full consolidation	X				Credit institution
Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Full consolidation	X				Credit institution
RCI Banque S.A. Niederlassung Österreich	Full consolidation	X				Credit institution
RCI Banque, Branch Ireland	Full consolidation	X				Credit institution
RCI Banque Spólka Akcyjna Oddzial w Polsce	Full consolidation	X				Credit institution
RCI Bank UK	Full consolidation	X				Credit institution
Diac S.A.	Full consolidation	X				Credit institution
Autofin S.A.	Full consolidation	X				Finance and services company
RCI Financial Services S.A.	Full consolidation	X				Finance and services company
RCI Leasing Polska Sp. z o.o.	Full consolidation	X				Finance and services company
RCI Financial Services, S.r.o.	Full consolidation	X				Finance and services company
Renault Crédit Car S.A.	Equity method			X		Finance and services company
Administradora de Consórcio RCI Brasil Ltda	Full consolidation	X				Credit institution
Overlease S.A.	Full consolidation	X				Finance and services company
ES Mobility S.R.L.	Full consolidation	X				Finance and services company
ORFIN Finansman Anonim Sirketi	Equity method		X			Credit institution
RN SF BV	Equity method			X		Credit institution
RCI Financial Services LTD	Full consolidation			X		Insurance Company
RCI Services Algérie S.A.R.L.	Not consolidated			X		Finance and services company
RCI Financial Services Ukraine LLC	Not consolidated			X		Finance and services company
RCI Finance SK S.r.o.	Not consolidated			X		Finance and services company
RCI Servicios Colombia S.A.	Not consolidated			X		Finance and services company
RCI Usluge d.o.o	Not consolidated			X		Finance and services company
Overlease in Liquidazione S.R.L.	Not consolidated			X		Finance and services company
RCI Services, d.o.o.	Not consolidated			X		Finance and services company
ORF Kiralama Pazarlama ve Pazarlama Danismanligi A.S.	Not consolidated			X		Finance and services company
RCI Brasil Serviços e Participações Ltda	Not consolidated			X		Finance and services company
RCI Services KFT	Not consolidated			X		Finance and services company
RCI Insurance Service Korea Co. Ltd	Not consolidated			X		Insurance Brokers
Nissan Renault Financial Services India Private Limited	Equity method			X		Finance and services company
RCI Lizing d.o.o.	Not consolidated			X		Credit institution
RCI Mobility SAS	Not consolidated			X		Comercial society

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
RCI Colombia S.A. Compania de Financiamiento	Full consolidation	X				Credit institution
Bulb Software Ltd	Not consolidated			X		Comercial society
RCI COM SA	Full consolidation	X				Comercial society
Flit Technologies Ltd	Not consolidated			X		Comercial society

B - SOLVENCY RATIO

SOLVENCY RATIO (OWN FUNDS AND REQUIREMENTS)

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

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

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

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

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

The overall solvency ratio "Pillar I" stood at 14.61% on 30 June 2017 (including Core Tier one 14.58%) against 15.77% at 31 December 2016 (including Core Tier one 15.74%). These ratios include the intermediate net profits of the first half of the year 2017 according to the article 26.2 of the CRR and in the conditions of the decision ECB 2015/4. With regard to December 2016, the reduction in the solvency ratio is understandable by a significant increase of our exposures (+ 4 534 M€) and by the recalibration of our Basel models in June 2017. These two effects have for consequence an increase of our weighted risks of 3 619 M€.

Total own funds exceed the "Basel I" floor.

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

At the end of June 2017, RCI Banque must apply the following capital buffers:

- a capital conservation buffer of 1.25% of total risk-weighted exposures;
- a 1.5% countercyclical capital buffer applied to exposures in Sweden and Norway as well as in the Czech Republic for 0,5%, representing 0.02% of total risk-weighted exposures.

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

In Millions of euros	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
Breakdown by country												
Argentina	478						32			32	0,02	
Austria	639						45			45	0,02	
Belgium	377						31			31	0,02	
Brazil	1 691						107			107	0,05	
Swiss	884						60			60	0,03	
Czech Republic	243						17			17	0,01	0,50%
Germany	413	6 633					151			151	0,08	
Spain	493	3 478					159			159	0,08	
France	1 526	12 932					578			578	0,29	
Great-Britain	807	4 190					208			208	0,11	
Hungary	72						6			6	0,00	
Ireland	412						28			28	0,01	
India	30						6			6	0,00	
Italy	686	4 502					201			201	0,10	
South Korea	145	1 430					47			47	0,02	
Luxembourg												
Morocco	432						30			30	0,02	
Malta	87						17			17	0,01	
Netherlands	607						48			48	0,02	
Norway	13						0			0	0,00	1,50%
Poland	671						47			47	0,02	
Portugal	661						49			49	0,03	
Romania	175						11			11	0,01	
Russia	224						18			18	0,01	
Sweden	194						16			16	0,01	1,50%
Slovenia	211						14			14	0,01	
Slovakia	39						3			3	0,00	
Turkey	243						15			15	0,01	
United States	1											
Other countries	257						18			18	0,01	
Total all countries	**12 709**	**33 165**					**1 962**			**1 962**	**1,00**	**0,02%**

Amount of institution-specific countercyclical capital buffer

In Millions of euros	Amounts
Total risk exposure amount	28 389
Institution specific countercyclical buffer rate	0,02%
Institution specific countercyclical buffer requirement	5

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

C - OWN FUNDS

COMMON EQUITY TIER ONE ("CET 1")

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

The main prudential filters applying to the group are:

- exclusion of fair value reserves related to gains and losses on cash flow hedges;
- exclusion of gains and losses recognized by the institution from valuing liabilities at fair value that are due to changes in the institution's credit standing;
- exclusion of minority interests – subject to a phase-in;
- progressive deduction of deferred tax assets dependent on future profits linked to unused deficits – subject to a phase-in;
- intangible assets and consolidated goodwill.

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

The following phase-ins are applied in 2017:

- 80% of minority interests are deducted from regulatory capital in 2017 against 60% in 2016.
- 60% of deferred tax assets dependent on future profits linked to unused deficits are deducted from regulatory capital in 2017 against 40% at the end of December 2016.

It should be noted that RCI Banque's Common Equity Tier 1 capital represent 99.8% of total prudential own funds at the end of June 2017 and at the end of 2016 as well.

Common Equity Tier 1 capital increased by €241m compared with 31 December 2016 to €4,147m, RCI Banque having included the 2016 profits without distributing a dividend to its shareholder.

ADDITIONAL TIER 1 CAPITAL ("AT1")

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

The RCI Banque group held no such instruments on 30 June 2017.

COMMON EQUITY TIER 2 ("CET 2")

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

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

The RCI Banque group classified €7 million of Diac equity securities in this category at the end of June 2017.

Main characteristics of equity instruments

Features	relevant information
Issuer	DIAC S.A.
Unique identifier	FR0000047821
Governing law(s) of the instrument	French
Eligible at solo/(sub-)consolidated or combined	Eligible at consolidated level (RCI Banque)
Instrument type	T2
Amount recognised in regulatory capital	7 M€
Nominal amount of instrument	1000 FRF or 152.45€
Accounting classification	Subordinated debt
Original date of issuance	1/04/85
Perpetual or dated	Perpetual
Issuer call subject to prior supervisory approval	None
Fixed or floating dividend/coupon	Floating coupon
Coupon rate and any related index	Based on the net result, with a minimum of the TAM (floored at 6.5%) and 130% of the TAM
Existence of step up or other incentive to redeem	No step up nor incentive to redeem
Convertible or non-convertible	non-convertible
Write-down features	None
Position in subordination hierachy in liquidation (specify instrument type immediately senior to instrument)	Subordinated bonds with no enhancement clause. Participating loan stocks are junior to senior debt of the issuer. In the event of the company liquidation, notes shall be repaid after the payment of all other liabilities.

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

Not any amount is added to Tier 2 equity at the end of June 2017 nor at the end of 2016.

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

Breakdown of regulatory capital by category

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 référence	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no 575/2013
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	814	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: Ordinary shares	*100*	*EBA list 26 (3)*	
of which: Instrument type 2	*714*	*EBA list 26 (3)*	
of which: Instrument type 3		*EBA list 26 (3)*	
Retained earnings	1 668	26 (1) (c)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1 510	26 (1)	
Funds for general banking risk		26 (1) (f)	
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
Public sector capital injections grandfathered until 1 January 2018		483 (2)	
Minority Interests (amount allowed in consolidated CET1)	7	84, 479, 480	
Independently reviewed interim profits net of any fore- seeable charge or dividend	347	26 (2)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**4 346**		

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 référence	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no 575/2013
Common Equity Tier 1 capital : instruments and reserves			
Additional value adjustments (negative amount)		34, 105	
Intangible assets (net of related tax liability) (negative amount)	-91	36 (1) (b), 37, 472 (4)	
Empty Set in the EU			
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-44	36 (1) (c), 38, 472 (5)	
Fair value reserves related to gains or losses on cash flow hedges	12	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	-100	36 (1) (d), 40, 159, 472 (6)	
Any increase in equity that results from securitised assets (negative amount)		32 (1)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	5	33 (b)	
Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the insti- tution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short		36 (1) (h), 43, 45, 46,49 (2) (3), 79, 472 (10)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to(3), 79, 470, 472 (11)	
Empty Set in the EU			
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		*36 (1) (k)*	
of which: qualifying holdings outside the financial sector (negative amount)		*36 (1) (k) (i), 89 to 91*	
of which: securitisation positions (negative amount)		*36 (1) (k) (ii)243 (1) (b)244 (1) (b) 258*	
of which: free deliveries (negative amount)		*36 (1) (k) (iii), 379 (3)*	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1)(a), 470, 472 (5)	
Amount exceeding the 15% threshold (negative amount)		48 (1)	
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		*36 (1) (i), 48 (1) (b),470, 472 (11)*	
Empty Set in the EU			
of which: deferred tax assets arising from temporary differences		*36 (1) (c), 38, 48 (1)(a), 470, 472 (5)*	
Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
Of which: filter for unrealised loss		*467*	
Of which: filter for unrealised gain		*468*	
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	13	481	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-206**		
Common Equity Tier 1 (CET1) capital	**4 140**		

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 référence	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no 575/2013
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts		51, 52	
of which: classified as equity under applicable accounting standards			
of which: classified as liabilities under applicable accounting standards			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
Public sector capital injections grandfathered until 1 January 2018		483 (3)	
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
of which: instruments issued by subsidiaries subject to phase out		*486 (3)*	
Additional Tier 1 (AT1) capital before regulatory adjustments			
Additional Tier 1 (AT1) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own ATI Instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative		56 (c), 59, 60, 79, 475 (4)	
Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative		56 (d) , 59, 60, 79, 475 (4)	
Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
Of which: Own capital instruments			
Of which: non-significant investments in the capital of other financial sector entities			
Of which: significant investments in the capital of other financial sector entities			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
Of which: Own capital instruments			
Of which: non-significant investments in the capital of other financial sector entities			
Of which: significant investments in the capital of other financial sector entities			
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital			
Tier 1 capital (T1 = CET1 + AT1)	**4 140**		

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 référence	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no 575/2013
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	7	62, 63	
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
Public sector capital injections grandfathered until 1 January 2018		483 (4)	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
of which: instruments issued by subsidiaries subject to phase out		*486 (4)*	
Credit risk adjustments		62 (c) et (d)	
Tier 2 (T2) capital before regulatory adjustments	**7**		
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated bans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
Holdings of the T2 instruments and subordinated bans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66 (b), 68, 477 (3)	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short		66 (c), 69, 70, 79, 477 (4)	
Of which new holdings not subject to transitional arrangements			
Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		66 (d), 69, 79, 477 (4)	
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regu-lation (EU) No 575/2013 (i.e. CRR residual amounts)			
Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
Of which: Own capital instruments			
Of which: non-significant investments in the capital of other financial sector entities			
Of which: significant investments in the capital of other financial sector entities			
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regu-lation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)	
Of which: Own capital instruments			
Of which: non-significant investments in the capital of other financial sector entities			
Of which: significant investments in the capital of other financial sector entities			
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
Total regulatory adjustments to Tier 2 (T2) capital			
Tier 2 (T2) capital	**7**		
Total capital (TC = T1 + T2)	**4 147**		

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 référence	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no 575/2013
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/ 2013(i.e. CRR residual amounts)			
Of which: Adjustment of the 15 % threshold, part of the significant investments of the CET1, items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts)		*472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)*	
Of which: Adjustment of the 15 % threshold, deferred tax assets part, items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts)			
Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts)		*475, 475 (2) (b), 475 (2) (c), 475 (4) (b)*	
Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts)		*477, 477 (2) (b), 477 (2) (c), 477 (4) (b)*	
Total risk weighted assets	**28 389**		
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	14,58%	92 (2) (a), 465	
Tier 1 (as a percentage of risk exposure amount)	14,58%	92 (2) (b), 465	
Total capital (as a percentage of risk exposure amount)	14,61%	92 (2) (c)	
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or 0-SII buffer), expressed as a percentage of risk exposure amount)	1,27%	CRD 128, 129, 130	
of which: capital conservation buffer requirement	*1,25%*		
of which: countercyclical buffer requirement	*0,02%*		
of which: systemic risk buffer requirement			
of which: Global Systemically Important Institution (G-511) or Other Systemically Important Institution (0-SII) buffer		*CRD 131*	
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10,08%	CRD 128	
[non relevant in EU regulation]			
[non relevant in EU regulation]			
[non relevant in EU regulation]			
Capital ratios and buffers			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477	
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
Empty Set in the EU			
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	149	62	
Credit risk adjustments included in T2 in respect of exposures subject to internai ratings-based approach (prior to the application of the cap)		62	
Cap for inclusion of credit risk adjustments in T2 under internai ratings-based approach	81	62	

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

D - CAPITAL REQUIREMENTS

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

Overview of RWA

In Millions of euros	RWA		Min. capital requirements
	06/2017	03/2017	06/2017
Credit risk (excluding CCR)	24 700	23 168	1 976
Of which the standardised approach	*11 268*	*11 645*	*901*
Of which the foundation IRB (FIRB) approach	*313*	*176*	*25*
Of which the advanced IRB (AIRB) approach	*13 119*	*11 346*	*1 050*
Of which equity IRB under the simple RWA or the IMA			
CCR	179	224	14
Of which mark to market			
Of which original exposure			
Of which the standardised approach	*103*	*144*	*8*
Of which internal model method (IMM)			
Of which REA for contributions to the default fund of a CCP			
Of which CVA	*76*	*80*	*6*
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk			
Of which the standardised approach			
Of which IMA			
Large exposures			
Operational risk	2 945	2 945	236
Of which basic indicator approach			
Of which standardised approach	*2 945*	*2 945*	*236*
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% RW)	565	460	45
Floor adjustment			
Total	**28 389**	**26 797**	**2 271**

E - MANAGEMENT OF INTERNAL CAPITAL

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

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

Capital is managed by the “Accounting and Performance Control” and "Finance and Treasury" Divisions with the endorsement of Senior Management under the supervision and control of RCI Banque's administrative Committee.

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

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

For that purpose, the group implements an Internal Capital Adequacy Assessment Process (ICAAP) that enables it to meet the following 2 main aims:

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

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

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

F- LEVERAGE RATIO

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

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

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

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

The RCI Banque group's leverage ratio, estimated according to CRR/CRD IV rules and factoring in the delegated regulation of October 2014, was 8.31% at 30 June 2017

Summary reconciliation of accounting assets and leverage ratio exposures

In millions of euros

Total assets as per published financial statements	**47 548**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-75
Adjustments for derivative financial instruments	177
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 348
Other adjustments	-196
Leverage ratio total exposure measure	**49 802**

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

Leverage ratio

In millions of euros

On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	47 346
Asset amounts deducted in determining Tier 1 capital	-206
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**47 140**
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	314
Total derivatives exposures	**314**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2 600
Adjustments for conversion to credit equivalent amounts	-252
Total other off-balance sheet exposures	**2 348**
Capital and total exposure mesure	
Tier 1 capital	4 140
Leverage ratio total exposure measure	49 802
Leverage ratio	**8,31%**

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)	**47 346**
Trading book exposures	
Banking book exposures, of which:	47 346
Exposures treated as sovereigns	*3 029*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*57*
Institutions	*1 199*
Retail exposures	*26 026*
Corporate	*15 442*
Exposures in default	*248*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1 345*

Statement of qualitative elements

Descriptions of the procedures used to manage the excessive leverage risk	RCI Banque monitors its leverage ratio on a monthly basis and keeps the Executive Committee informed thereof. The ratio is also stated in the balanced scorecard of risks provided quarterly to the Board of Directors' Risks Committee. An internal limit has been set and a warning system has been put in place.
Description of factors having an impact on the leverage ratio during the period to which the leverage ratio disclosed by the institution refers	RCI Banque disclosed a Basel III leverage ratio of 8.31% at the end of June 2017 against 8.63% at the end of December 2016. A slight rise in the ratio, due to growth in exposures higher (mainly in Europe) than that of Tier 1 capital.

G - MANAGEMENT OF THE LEVERAGE RATIO

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

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

II - CREDIT RISK

A - EXPOSURE TO THE CREDIT RISK

EAD includes both balance sheet and off-balance sheet credit exposures. Moreover, the prudential scope is different from the accounting scope of consolidation. The credit exposure values in the above table are thus different from those in Note 17 to the consolidated financial statements concerning financial assets by remainder of the term.

RCI Banque uses three risk-classification levels for receivables and writes them down on an individual or collective basis. The presentation and the measurement principles are described in part E of the notes to the consolidated financial statements.

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

Total and average net amount of exposures

In Millions of euros	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks		
Institutions		
Corporates	10 953	10 066
Of which: SMEs	*3 076*	*2 895*
Retail	21 763	21 130
Secured by real estate property		
Qualifying revolving		
Other retail	*21 763*	*21 130*
SMEs	*2 359*	*2 281*
Non-SMEs	*19 404*	*18 850*
Equity		
Total IRB approach	**32 715**	**31 196**
Central governments or central banks	2 967	1 999
Regional governments or local authorities	42	41
Public sector entities	21	29
Multilateral development banks	5	5
International organisations	112	110
Institutions	1 260	1 425
Corporates	5 609	6 466
Of which: SMEs	*3 002*	*2 700*
Retail	5 785	5 674
Of which: SMEs	*1 332*	*1 227*
Secured by mortgages on immovable property		
Exposures in default	95	115
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment	176	120
Collective investments undertakings		
Equity exposures	172	171
Other exposures	1 136	520
Total standardised approach	**17 380**	**16 676**
Total	**50 096**	**47 872**

Geographical breakdown of exposures

In Millions of euros	France	Germany	Great-Britain	Italy	Spain	Brazil	South Korea	Swiss	Portugal	Netherland	Other countries	Total
Central governments or central banks												
Institutions												
Corporates	6 518	1 535	804	1 177	918							10 953
Retail	6 207	5 058	3 313	3 268	2 516		1 401					21 763
Equity												
Total IRB approach	**12 724**	**6 592**	**4 118**	**4 445**	**3 435**		**1 401**					**32 715**
Central governments or central banks	2 036	79	146	200	114	146	122	1	39		83	2 967
Regional or local authorities	42			0								42
Public sector entities						21						21
Multilateral development banks											5	5
International organisations											112	112
Institutions	587	176	208	112	42	20		7	8	13	87	1 260
Corporates	598	244	58	469	452	287	42	376	444	309	2 330	5 609
Retail	520	15	387	194	10	1 500	42	474	182	241	2 220	5 785
Secured by mortgages on immovable property												
Exposures in default	4	1	2	0	0	30	1	2	8	0	45	95
Items associated with particularly high risk												
Covered bonds												
Claims on institutions and corporates with a short-term	52	11	7			35	54				18	176
Collective investments undertakings												
Equity exposures	9			0						45	117	172
Other exposures	335	155	361	44	30	5	6	32	27	11	129	1 136
Total standardised approach	**4 183**	**681**	**1 169**	**1 019**	**650**	**2 044**	**268**	**892**	**708**	**620**	**5 147**	**17 380**
Total	**16 908**	**7 273**	**5 286**	**5 464**	**4 085**	**2 044**	**1 669**	**892**	**708**	**620**	**5 147**	**50 096**

Credit quality of exposures by exposure class and instrument

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks							
Institutions							
Corporates	41	10 965	-18	-35		10 953	5
Of which: Specialised lending							
Of which: SMEs	*23*	*3 079*	*-11*	*-15*		*3 076*	*9*
Retail	320	21 839	-234	-162		21 763	-10
Secured by real estate property							
SMEs							
Non-SMEs							
Qualifying revolving							
Other retail	*320*	*21 839*	*-234*	*-162*		*21 763*	*-10*
SMEs	*50*	*2 366*	*-35*	*-22*		*2 359*	*1*
Non-SMEs	*270*	*19 473*	*-200*	*-140*		*19 404*	*-10*
Equity							
Total IRB approach	**361**	**32 804**	**-253**	**-197**		**32 715**	**-5**
Central governments or central banks	0	2 967	0	0		2 967	0
Regional governments or local authorities	0	42				42	
Public sector entities		21				21	
Multilateral development banks		5				5	
International organisations		112				112	
Institutions		1 260				1 260	
Corporates	94	5 668	-31	-59		5 673	-5
Of which: SMEs	*85*	*3 049*	*-28*	*-48*		*3 059*	*-3*
Retail	95	5 834	-64	-48		5 817	13
Of which: SMEs	*16*	*1 340*	*-10*	*-8*		*1 338*	*-2*
Secured by mortgages on immovable property							
Of which: SMEs							
Exposures in default							
Items associated with particularly high risk							
Covered bonds							
Claims on inst. and corporates with a ST credit assessment		176				176	
Collective investments undertakings							
Equity exposures		177		-5		172	-5
Other exposures		1 136				1 136	
Total standardised approach	**189**	**17 398**	**-94**	**-112**		**17 380**	**2**
Total	**550**	**50 202**	**-347**	**-309**		**50 096**	**-3**
Of which: Loans	*544*	*41 559*	*-347*	*-309*		*41 447*	*-3*
Of which: Debt securities		*916*				*916*	
Of which: Off-balance-sheet exposures	*49*	*2 574*				*2 623*	

Credit quality of exposures by industry or counterparty types

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks	0	2 967	0	0		2 967	0
Institutions		1 373				1 373	
Other financial corporations	0	180				180	
Households	341	23 781	-253	-103		23 766	9
Non-financial corporations	209	20 588	-94	-201		20 502	-6
Of which: Manufacturing	*9*	*920*	*-3*	*-9*		*917*	*0*
Of which: Construction	*14*	*937*	*-4*	*-10*		*937*	*0*
Of which: Wholesale and retail trade	*147*	*14 627*	*-75*	*-141*		*14 557*	*-3*
Of which: Transport ans storage	*5*	*465*	*-1*	*-4*		*464*	*0*
Of which: Professional, scientific and technical activities	*3*	*291*	*-1*	*-3*		*291*	*0*
Of which: Administrative and support service activities	*12*	*1 732*	*-3*	*-18*		*1 723*	*-1*
Of which: Human health services and social work activities	*2*	*338*	*-1*	*-4*		*335*	*0*
Of which: Other sectors	*15*	*1 278*	*-4*	*-12*		*1 277*	*-1*
Other exposures	0	1 313		-5		1 308	-5
Total	**550**	**50 202**	**-347**	**-309**		**50 096**	**-3**

Credit quality of exposures by geographical area

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
France	216	16 911	-150	-69		16 908	-7
Germany	26	7 288	-22	-19		7 273	-2
Great-Britain	24	5 334	-11	-61		5 286	-3
Italy	60	5 465	-34	-27		5 464	4
Spain	31	4 105	-27	-25		4 085	1
Brazil	58	2 038	-28	-25		2 044	6
South Korea	33	1 669	-30	-4		1 669	-3
Swiss	4	892	-3	-1		892	0
Portugal	11	709	-3	-9		708	0
Netherland	2	628	-2	-8		620	1
Other countries	84	5 161	-39	-60		5 147	1
Total	**550**	**50 202**	**-347**	**-309**		**50 096**	**-3**

Changes in the stock of general and specific credit risk adjustments

In millions of euros	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**411**	**242**
Increases due to amounts set aside for estimated loan losses during the period	106	43
Decreases due to amounts reversed for estimated loan losses during the period	-13	-35
Decreases due to amounts taken against accumulated credit risk adjustments	-108	
Transfers between credit risk adjustments		
Impact of exchange rate differences	3	-3
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments		
Closing balance	**399**	**247**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	6	
Specific credit risk adjustments directly recorded to the statement of profit or loss	75	

Changes in the stock of defaulted and impaired loans and debt securities

In millions of euros	Gross carrying value defaulted exposures
Opening balance	**614**
Loans and debt securities that have defaulted or impaired since the last reporting period	161
Returned to non-defaulted status	-155
Amounts written off	-75
Other changes	
Closing balance	**545**

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

B - CREDIT RISK MANAGEMENT PROCESS

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

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

CUSTOMER RISK MANAGEMENT

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

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

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

DEALER RISK MANAGEMENT

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

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

COUNTERPARTY RISK MANAGEMENT

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

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

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

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

RCI Banque has no particular mechanism for managing correlation risk.

If its credit rating is downgraded, RCI Banque may be led to fund additional reserves as part of its securitization transactions. At 30/06/2017, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €77 million.

JUNE 2017 RESULTS OF THE CUSTOMERS BUSINESS

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

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

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

The customers cost of risk as 06-2017 represents 0.30% of average earning assets, slightly down compared to 0.31% recorded at end of June 2016. After the crisis, since 2009 the cost of risk has not exceeded 0.60%, which demonstrates that the risk chain is well under control, both upstream at acceptance level and downstream at collection level.

Doubtful outstanding is stable in value since 2016 but represents less compared to total outstanding.

It represents 1.4% of total debts at the end of June 2017 against 1.7% at the end of June 2016. This reduction is the consequence of several effects such as total outstanding growth, non-performing loan portfolio sales and also better control of acceptance and improvements in debt collection processes in most of the subsidiaries.

The coverage ratio of doubtful outstanding was 71.5% at the end of June 2017, slightly down from June 2016 (73.5%), which reflects both the effects of debt assignments on the rejuvenation of the doubtful portfolio and higher recovery rates.

Restructured debts in Sound and Default status represent M€ 113.7, while it was M€ 107.2 at end of December 2016.

JUNE 2017 RESULTS OF THE WHOLESALE BUSINESS

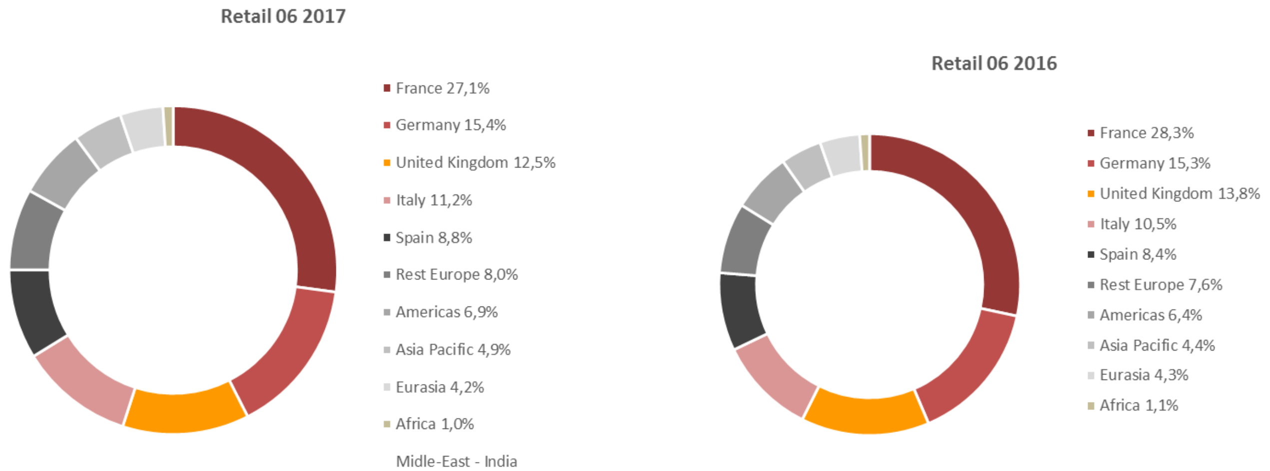
RCI Banque maintains its policy of support for manufacturers and their distribution networks by providing suitable financing solutions. In that respect, management of inventories in connection with manufacturers and their appropriateness for market situations remained a priority.

The cost of risk of the wholesale financing business represents 0.22% of average productive outstandings, namely €10.6m. This is a stable level versus 06/2016 (-0.01 basis points) but remains at a very low level.

Restructured claims ("forbearance") are limited to €9.1m, a low and stable level (€10.4m at 06/2016) that reflects the low risk arising in wholesale financing.

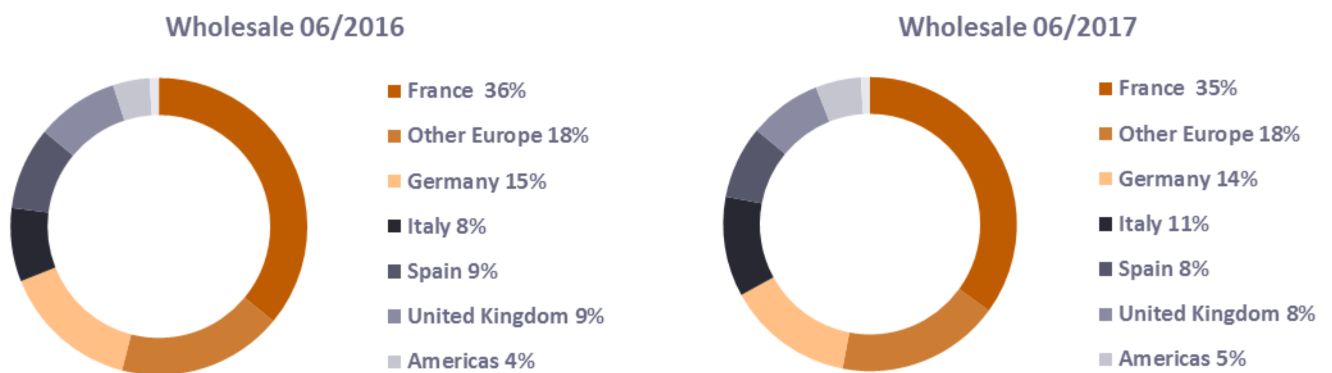
C - DIVERSIFICATION OF CREDIT RISK EXPOSURE

RCI's customer outstandings are spread over 26 countries (excluding India and Ukraine), and are highly represented in Europe. The percentage of G7 countries (IRB approved or pending approval for Brazil) has fallen very slightly: 85.3% of the RCI total at end of June 2017 against 86.4% at end of June 2016 despite a rise of 18.2% of G7 outstanding on the period. The outstanding on other countries has risen by +29.2% driven by activities in Russia +54.8%, in Argentina +90.7% and the creation of a subsidiary in Colombia.



As regards the product breakdown of the customers business, credit loans represent 67% of G5 current outstandings (France, Germany, Italy, Spain, United Kingdom), leasing contracts 19% and long-term rentals 14% (G5 weighs 75% of RCI Bank outstanding, including Russia and Turkey).

With regard to the breakdown by type of customer, individuals make up the largest share with 69% of current outstandings, against 31% for Corporate customers for the G5, with a specificity in France where 53% of the outstanding refers to companies.



The RCI wholesale outstanding is spread over 25 countries strongly represented by Europe. The weight of countries has been relatively stable. Nonetheless, the Italy weight supported by a growing T.I.V. (+8.6%) has strongly increased. The launch of the new subsidiary in Colombia and the growth of the Argentina market explains the increase of Americas while Brazil remained at a stable level.

D - RISK-WEIGHTED ASSETS

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

E - ADVANCED METHOD

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

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

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

a) Organization

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

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

b) Information system

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

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

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

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

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

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

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

c) Segmentation of exposures by the advanced method

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

The average weighting rates (weighted risks/exposures) total 39% for the Retail portfolio and 44% for the overall Corporate portfolio.

The conversion factors applied to unit off-balance sheet exposures are regulation rates (exclusively 100%). The calculated average rates come to 100% for customer financing commitments (representing €1,140m), and 100% for corporate approvals (representing €651m).

IRB – Credit risk exposures by portfolio and PD range

In Millions of euros PD scale	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity (Years)	RWA	RWA density	EL	Provisions
Portfolio Corporates FIRB												
0.00 to <0.15	7			7	0,03%	32	45,00%	2,5	1	15,28%		
0.15 to <0.25												
0.25 to <0.50	78			78	0,35%	17	45,00%	2,5	48	62,29%	0	
0.50 to <0.75												
0.75 to <2.50	157			157	1,01%	61	45,00%	2,5	152	96,45%	1	
2.50 to <10.00	79			79	3,48%	13	45,00%	2,5	112	141,76%	1	
10.00 to <100.00	42			42	99,69%	5	45,00%	2,5	0	0,88%	19	
100.00 (Default)												
Sub-total Corporate FIRB	**362**			**362**	**12,83%**	**128**	**45,00%**	**2,5**	**313**	**86,42%**	**21**	
Portfolio Corporates AIRB												
0.00 to <0.15	574	63	100%	637	0,03%	409	23,80%	1,6	45	7,01%	0	0
0.15 to <0.25	358	1	100%	358	0,20%	289	15,13%	1,0	35	9,86%	0	0
0.25 to <0.50	3 759	109	100%	3 359	0,37%	1 174	17,23%	1,3	582	17,32%	2	-1
0.50 to <0.75	536	3	100%	539	0,64%	179	16,07%	1,0	115	21,30%	1	-1
0.75 to <2.50	1 562	202	100%	1 720	1,42%	3 209	30,37%	1,8	1 030	59,91%	6	-4
2.50 to <10.00	2 730	220	100%	2 810	4,76%	2 617	24,09%	1,5	1 949	69,38%	28	-16
10.00 to <100.00	434	53	100%	487	22,98%	475	30,44%	1,7	720	147,90%	36	-13
100.00 (Default)	40	1	100%	41	100,00%	121	73,18%	1,3	91	221,35%	23	-18
Sub-total Corporate AIRB	**9 993**	**651**	**100%**	**9 951**	**3,30%**	**8 473**	**22,60%**	**1,5**	**4 567**	**45,90%**	**96**	**-53**
Portfolio Retail												
0.00 to <0.15	2 164	315	100%	2 479	0,11%	421 016	42,36%		284	11,44%	1	-1
0.15 to <0.25	1 344	111	100%	1 454	0,22%	206 356	38,02%		247	16,97%	1	0
0.25 to <0.50	2 641	108	100%	2 749	0,32%	315 262	45,57%		726	26,41%	4	-3
0.50 to <0.75	4 116	94	100%	4 209	0,54%	339 722	36,19%		1 215	28,85%	8	-8
0.75 to <2.50	7 530	382	100%	7 913	1,21%	642 397	44,85%		3 901	49,30%	44	-50
2.50 to <10.00	2 283	120	100%	2 403	4,52%	192 853	42,07%		1 439	59,87%	46	-38
10.00 to <100.00	621	10	100%	631	24,23%	58 211	42,78%		602	95,50%	66	-61
100.00 (Default)	319	1	100%	320	100,00%	43 641	83,26%		139	43,46%	262	-234
Sub-total Retail	**21 018**	**1 140**	**100%**	**22 159**	**3,22%**	**2 219 458**	**42,76%**		**8 552**	**38,59%**	**432**	**-396**
Total (all portfolios)	**31 373**	**1 791**	**100%**	**32 472**	**3,35%**	**2 228 059**	**36,61%**		**13 432**	**41,37%**	**549**	**-449**

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

The internal rating methodology developed in 2004 for monthly revaluation of customer risks is based on:

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

i) Risk ranking model

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

The table below provides the mapping of the developed models.

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

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

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

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

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

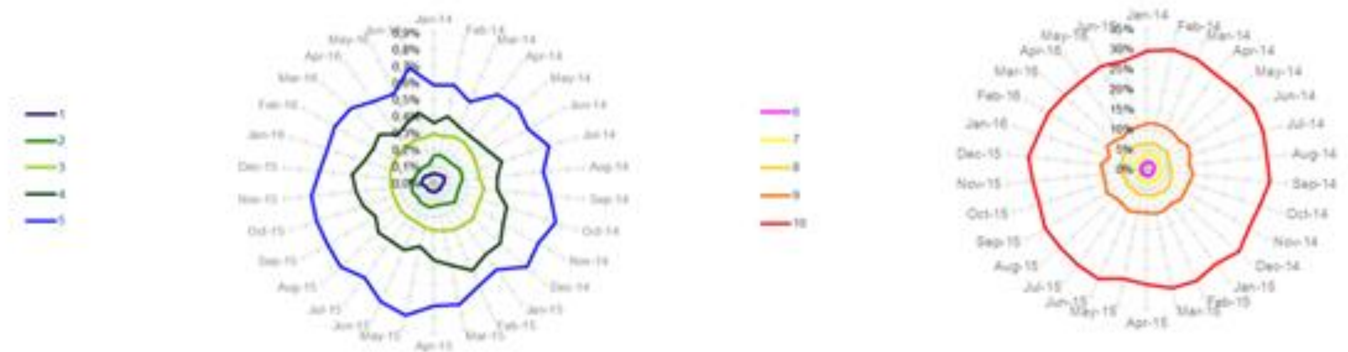
Category of exposure	IRBA countries	Population covered by the model	Type of model (statistical/combined)	Internal/External model	Average sound portfolio PD at 30/06/2017
Retail customers	Germany	Consumers	Statistical	Internal	1,21%
	Spain				1,21%
	France				1,78%
	Italy				1,33%
	United Kingdom				1,99%
	South Korea				1,07%
Small and medium-sized companies	Germany	Businesses	Statistical	Internal	1,89%
	Spain				3,98%
	France				3,34%
	Italy				4,17%
Big corporations	France	Very big corporations	Combined	Internal	1,81%
	France	Factoring	Combined	Internal	1,11%
	France	Primary network	Statistical + expert appraisal	Internal	1,50%
	Germany	Primary network	Statistical + expert appraisal	Internal	2,39%
	Germany	Secondary network	Statistical + expert appraisal	Internal	3,00%
	Italy	Primary network	Statistical + expert appraisal	Internal	3,02%
	Spain	Primary network	Statistical + expert appraisal	Internal	6,58%
	United Kingdom	Primary network	Statistical + expert appraisal	Internal	1,77%

iii) Testing PD models

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

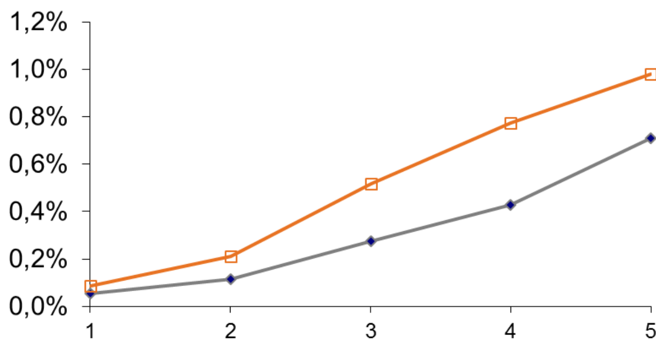
This is illustrated in the following graphs.

History of default rates per class

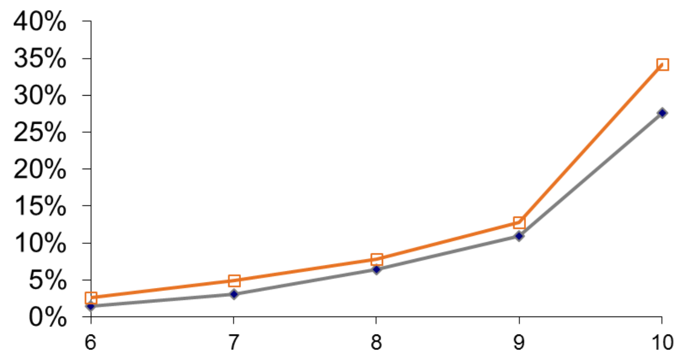


The Consumer PD model for Germany end June 2017

Class 1 to 5



Class 6 to 10



Actual default rate attend 06/2017 PD attend 06/2016

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

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

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

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

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

Category of exposure	IRBA Countries	Population covered by the model	Population group segmentation	Type of model (statistical/expert /combined/other)	Internal/ External model	Available historical depth	Calculate parameters	Average sound portfolio LGD at 30/06/2017
Retail	France	Individuals + compagnies	Credit	Statistical	Internal	Since January 1997	LGD, LGD in-default ELBE	43,1%
			Leasing					43,8%
	Germany		Credit			Since April 1999		23,6%
			Leasing					33,1%
	Spain		Credit VN			Since November 1994		44,5%
			Credit VO			Since May 1998		61,0%
			Leasing			Since January 1996		40,4%
	Italy		Single segment			Since January 2008		50,2%
	United Kingdom		Credit VN			Since August 1998		49,3%
			Credit VO					49,3%
			Leasing					49,3%
	South Korea		Single segment			Since March 2006		54,9%
Corporate	All subsidiaries Dealers	Dealers	R1 VN	combined	internal	Since January 2009	LGD LGD in-default ELBE	9,7%
			R1 autres					18,3%
			R2					16,8%

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

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

Customer expected loss (EL) increased by 14.1% compared to June 2016 (+ €62.6 million) exclusively attributable to the Sound EL:

- Default EL (down by -0.3%): the variation is mainly attributable to the strong stability of the defaulted portfolio (€331 million in June 2017 versus €328 million in June 2016) due to lower defaulting rates consequence of general economic improvements, the control of the amicable collection process (less than 90 days), and finally sales of doubtful portfolio. The LGD on default portfolio has also improved overall (-123bps) and has contributed to the decrease of the Defaulted EL.
- Sound EL (increase by 36.1%): the rise is mainly due to the sharp increase in sound portfolio (+16.8%) in a context of growth in business for the Alliance's brands, combined with a higher penetration of RCI and a higher average financing amount. In parallel, the LGD on Sound portfolio has increased by 30bps and the PD on Sound portfolio by 14bps, in relation with application of additional prudential margins in its calculation, thereby contributing to the rise in Sound EL.

f) Operational use of internal ratings

i) Customers

- *Granting policy*

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

- *Debt collection*

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

ii) Dealers

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

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

g) Procedures for monitoring internal ratings

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

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

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

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

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

F - STANDARD METHOD

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

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

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

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

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

Standardised approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects

In Millions of euros	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
Central governments or central banks	2 912	55	2 912	27	510	17,36%
Regional government or local authorities	36	6	36	3	8	20,16%
Public sector entities	21		21		21	100,00%
Multilateral development banks	5		5			
International organisations	112		112			
Institutions	1 249	12	1 249	4	298	23,82%
Corporates	5 229	380	5 097	310	5 303	98,08%
Retail	5 488	297	5 488	190	4 241	74,70%
Secured by mortgages on immovable property						
Exposures in default	95		82		103	126,06%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	114	62	114	12	86	67,77%
Collective investment undertakings						
Equity	172		172		416	241,72%
Other items	1 235	9	1 235	9	949	76,30%
Total	**16 668**	**820**	**16 522**	**555**	**11 936**	**69,89%**

Standardised approach – Exposures by asset classes and risk weights

In Millions of euros — **Risk weight**

Asset classes	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	of which unrated
Central governments or central banks					1		153		197		159					510	
Regional government or local authorities					8				0							8	8
Public sector entities									21							21	21
Multilateral development banks																	
International organisations																	
Institutions					222		67		9							298	226
Corporates					10		65		5 223	5						5 303	5 223
Retail								4 241								4 241	4 241
Secured by mortgages on immovable property																	
Exposures in default									39	64						103	103
Higher-risk categories																	
Covered bonds																	
Inst. and corporates with a ST credit assessment					16					70						86	70
Collective investment undertakings																	
Equity									9		406					416	416
Other items					74				875							949	949
Total					**330**		**286**	**4 241**	**6 375**	**138**	**565**					**11 936**	**11 257**

G - CREDIT RISK MITIGATION TECHNIQUES

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

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

For exposures treated by the internal rating method, the capital requirements in respect of credit risk include financial collateral (in the form of a cash pledge agreement) amounting to €700m granted by manufacturer Renault and protecting RCI Banque against the risk of the Renault subsidiaries defaulting on inventory financing. This protection is spread evenly over each exposure in the relevant scope by RAY's data processing. At the end of June 2017 and after application of the discount relating to the asymmetry of currencies, the impact on the value of €746m of exposures (corporate category only) totals €693m.

With the standard method, capital requirements in respect of credit risk include financial collateral (in the form of Letras de Cambio) protecting Brazilian subsidiary CFI RCI Brasil against the risk of its network of dealerships totaled €146m at the end of June 2017, reducing exposures to €4m for the corporate category, to €141m for SMEs, and to under €1m for retail customer companies. This protection is allocated individually to each exposure concerned.

IRB – Effect on RWA of credit derivatives used as CRM techniques

In Millions of euros	Pre-credit derivatives RWA	Actual RWA
Exposures under FIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs		
Corporates – Specialised lending		
Corporates – Other	313	313
Exposures under AIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs	1 275	1 275
Corporates – Specialised lending		
Corporates – Other	3 293	3 293
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs		
Retail – Qualifying revolving		
Retail – Other SMEs	1 031	1 031
Retail – Other non-SMEs	7 521	7 521
Equity IRB		
Other non credit obligation assets		
Total	**13 432**	**13 432**

III - CREDIT VALUATION ADJUSTMENT RISK

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

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

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

Credit valuation adjustment (CVA) capital charge

In Millions of euros	**Exposure value**	**RWA**
Total portfolios subject to the Advanced CVA capital charge		
(i) VaR component (including the 3×multiplier)		
(ii) Stressed VaR component (including the 3×multiplier)		
All portfolios subject to the Standardised CVA capital charge	226	76
Based on the original exposure method		
Total subject to the CVA capital charge	**226**	**76**

IV - LIQUIDITY COVERAGE RATIO (LCR)

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

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

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

The bank's average HQLA during the 12-month period ending on 30 June 2017 was 994M€. It amounted to 931M€ on average during the 12-month period ending on 31 March 2017. They were mainly made of deposits with the European Central Bank and securities issued by governments or supranational, the average 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 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.

Over the 12-month period ending on 30 June 2017, EUR, GBP and BRL denominated HQLA represented on average 67%, 19% and 3% of total HQLA respectively. The weight of each currency is stable compared to the averages of the 12-month period ending on March 2017, which were respectively 69%, 18% and 3%.

Due to the BRL non-convertibility and in accordance with Article 8.2d of the Commission delegated regulation 2015/61, BRL denominated HQLAs are capped to net cash Outflows in that currency for consolidated LCR calculation.

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 limited and represents non-material amounts.

The average LCR over the 12-month period ending on 30 June 2017 came at 165%, compared to 164% on average over the 12-month period ending on 31 March 2017.

Liquidity Coverage Ratio (LCR)

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	**30/09/2016**	**31/12/2016**	**31/03/2017**	**30/06/2017**	**30/09/2016**	**31/12/2016**	**31/03/2017**	**30/06/2017**
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets (HQLA)								
Total high-quality liquid assets					**1 172**	**977**	**931**	**994**
Cash Outflows								
Retail deposits and deposits from small business customers	8 200	8 676	9 103	9 538	854	907	953	998
Stable deposits								
Less stable deposits	*8 200*	*8 676*	*9 103*	*9 538*	*854*	*907*	*953*	*998*
Unsecured wholesale funding	909	809	813	852	790	679	669	709
Operational deposits and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	*199*	*217*	*241*	*239*	*79*	*87*	*96*	*95*
Unsecured debt	*710*	*592*	*573*	*613*	*710*	*592*	*573*	*613*
Secured wholesale funding					48	32	35	46
Additional requirements	60	87	102	119	59	86	101	119
Outflows related to derivative exposures and other collateral requirements	*59*	*86*	*101*	*119*	*59*	*86*	*101*	*119*
Outflows related to loss of funding on debt products	*1*	*1*	*1*					
Credit and liquidity facilities								
Other contractual funding obligations	1 229	1 313	1 397	1 431	360	403	431	426
Other contingent funding obligations	2 071	2 113	2 182	2 257	108	106	109	113
Total Cash Outflows					**2 219**	**2 212**	**2 298**	**2 410**
Cash Inflows								
Secured lending (eg reverse repos)								
Inflows from fully performing exposures	3 905	3 997	4 075	4 160	2 218	2 307	2 331	2 388
Other cash inflows	527	675	848	1 389	401	436	448	561
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
(Excess inflows from a related specialised credit institution)								
Total Cash Inflows	**4 433**	**4 672**	**4 923**	**5 549**	**2 619**	**2 742**	**2 779**	**2 949**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	*4 433*	*4 672*	*4 923*	*5 549*	*2 619*	*2 742*	*2 779*	*2 949*
Total HQLA					**1 172**	**977**	**931**	**994**
Total net Cash Outflows					**770**	**553**	**575**	**603**
Liquidity Coverage Ratio					**178%**	**177%**	**164%**	**165%**

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