RCI BANQUE

RISKS – PILLAR III

31 December 2017

INTRODUCTION

The following information concerns RCI Banque's risks and is provided to meet the disclosure requirements of Pillar III of the Basel Agreements, transposed into European law by means of Regulation (EU) 2013/575 (or CRR) and Directive 2013/36/ EU (or CRD IV).

It is published on a consolidated basis (Article 13 of the CRR) and meets the requirements set out in part 8 of the CRR (Articles 431 et seq.).

RCI Banque's Pillar III report is published annually as a whole, but certain important or faster changing items are disclosed half-yearly, or only on a transitional basis (Article 492 of the CRR). No material, proprietary or confidential information is omitted (Article 432 of the CRR).

Publication of the risk report is the responsibility of RCI Banque's Company Secretary and Risk Control Division. The information contained in this report has been prepared in accordance with the Pillar III disclosure procedure validated by RCI Banque's Regulatory Committee.

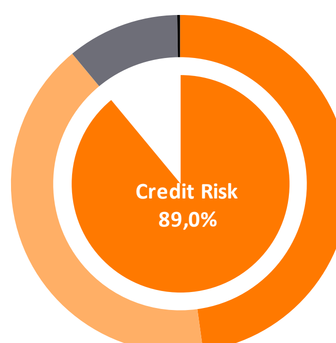
KEY FIGURES[1]

0-1 Key figures and ROA

Prudential Ratios	
CET1 Phased-in Solvency Ratio	15,01%
Phased-in Leverage Ratio	8,59%
LCR - Aryhmetic Average of the past three months	220%

Return on assets (1)	1,5%

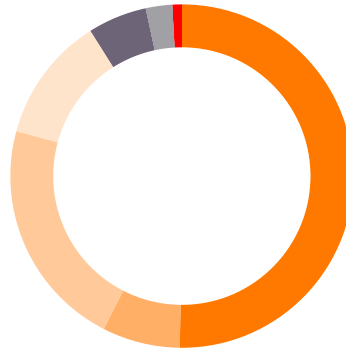
0-2 Own funds requirements by type of risk



[1] Return on assets calculated by dividing net profit by the balance sheet total (CRD IV, Article 90-4)

0-3 Exposure by exposure class

- Retail 50,2%
- Retail SME 7,4%
- Corporates 21,7%
- Corporates SME 11,8%
- Central Governments or Central Banks 5,5%
- Institutions 2,5%
- Equity 0,0%
- Other non-credit obligation assets 0,9%



I - GOVERNANCE AND ORGANIZATION PRINCIPLES OF RISK MANAGEMENT

A - RISK GOVERNANCE POLICY - RISK APPETITE FRAMEWORK

RISK GOVERNANCE POLICY: KEY PRINCIPLES

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

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

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

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

The list of risks identified in the group's mapping undergoes regular review (at least once a year), and any modifications thereto are subject to a prior consistency check with regard to the ICAAP/ILAAP standards. For its part, the risk appetite framework may be redefined and the control system strengthened whenever the risks of occurrence or seriousness of a risk appear greater.

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

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

- Business development strategy and commercial objectives, and
- Risk strategy and associated risk guidelines.

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

RISK APPETITE FRAMEWORK

The “RAF” (“Risk Appetite Framework”) defined by the Board of Directors is the group's guiding line of conduct in the field of risk strategy, which lays down the principles and limits of RCI Banque's strategy to be followed within the company.

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

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

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

B - ORGANIZATION OF RISK CONTROL

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

- **The 1st level of control** is performed by operational staff in charge of risk management on a daily basis as part of their usual activities within the respective area of responsibility. They decide on and are responsible for risk-taking within the operations they conduct to achieve goals assigned to them. They exercise such responsibility in compliance with the risk management rules and limits set by the "Corporate" risk steering functions.

- **The 2nd level of control comprises:**
  - The "Corporate" risk steering functions (business-lines) in charge of risk definition, rules, management methods, measurement and monitoring at company level. Each department within its area of responsibility oversees the risk management process through guidelines and objectives transposed on country level. Risks are monitored at dedicated periodic committee meetings both in the local subsidiaries and at corporate level.
  - Group entity internal controllers, who check the level of transaction compliance with the management rules set out in procedures. In particular, they check the fitness for purpose of the first level of control.
  - the Risk Control Division, which
    - Ensures the reliability of risk assessment indicators, the completeness of risk steering mechanisms for each risk and the effectiveness of such risk monitoring;
    - Ensures that risk policies are consistent with the risk appetite framework (“RAF”);
    - More specifically ascertains the effectiveness of the reporting and alert escalation channels and the appropriateness of the corrective measures worked out in the event of failings;
    - Plays a key role in monitoring the compliance of the group's business practices with applicable regulations.

- The **3rd level of control** is the internal audit function, which aims to provide RCI Banque's Board of Directors and General Management with an overview of the effective level of business operations' control and of the risk steering and management performed by the first two levels.

These three risk controlling lines report to the following committees:

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

The content of the information reported to the Board of Directors' Risk Committee is decided upon during meetings of the latter committee on the basis of proposals submitted by the Executive Board member concerned and the Chief Risk Officer. Exposure to each risk is measured at a frequency appropriate to that risk (from daily for risks such as the interest rate risk and monitoring of customer deposits, to monthly in general cases). These measurements are made at the individual entity level and then consolidated. The Risk Division centralizes the production of the quarterly dashboard delivered to the Board of Directors' Risk Committee.

THE GOVERNING BODIES

THE BOARD OF DIRECTORS

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

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

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

I-1 Positions held by the members of RCI Banque's Board of Directors

	Position held in RCI Banque S.A	Number of other positions held inside Renault Group	Number of other positions held outside Renault Group
Clotilde DELBOS	Chairman of the Board of Directors	1 non-executive position	-
Farid ARACTINGI	Director of the Board	2 non-executive positions	2 non-executive positions
Patrick CLAUDE	Deputy Chief Executive Officer and Chief Risk Officer	10 non-executive positions	-
Gianluca DE FICCHY	Chief Executive Officer and Director of the Board	6 non-executive positions	-
Thierry KOSKAS	Director of the Board	2 non-executive positions	-
Isabelle LANDROT	Director of the Board	-	-
Bernard LOIRE	Director of the Board	1 non-executive position	-
Stéphane STOUFFLET	Director of the Board	3 non-executive positions	-

At 31 December 2017, RCI Banque's Board of Directors had seven members, of which two females.

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

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

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

- **The Risk Committee**

The Risk Committee advises the Board of Directors on strategy and appetite for risks of any kind, both current and potential, and assists it in supervising implementation of this strategy. This committee met four times during financial year 2017. Its main duties were to review risk mapping and validate the definition of risks, and to analyze and validate the RCI Group's limits on risk in keeping with the Board's risk appetite, and, with a view to assisting the Board in terms of control. It was also in charge of action plan analysis in the event of limit or threshold overrun. With a view to advising the Board of Directors, the Committee also approved the Report on Internal Control, the ICAAP and ILAAP systems and the recovery plan.

- **The Accounts and Audit Committee**

The Accounts and Audit Committee met three times in 2017. Its main duties were to present and monitor the financial statements and preparation thereof, and to monitor the statutory audits of the annual and consolidated financial statements. It also examined the audit plan and analyzed the audits performed. The Committee monitored the effectiveness of the internal control and risk management systems, the independence of the statutory auditors, and approval of their non-audit services.

- **The Remunerations Committee**

The Remunerations Committee met twice in 2017. Its main duty was to review the RCI Banque group's remuneration policy and Variable Component system for 2017. The Committee also reviewed the remuneration granted to officers and directors and to the Chief Risk Officer, and the remuneration policy for individuals with an impact on risk and risk management.

- **The Nominations Committee**

The Nominations Committee met twice in 2017. Its main duty was to recommend members for the Board of Directors. It was also tasked with the annual review of the Board of Directors, and in particular with reviewing its structure, its make-up, the diversity of knowledge, expertise and experience of its members, the definition of "independent director" and its gender balance objectives.

- **The Strategic Committee**

The Strategic Committee met four times in 2017. Its main duties were to analyze the rollout of the strategic plan, and to examine and approve various strategic projects.

THE EXECUTIVE COMMITTEE

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

OTHER BODIES IN CHARGE OF RISK ASSESSMENT AND CONTROL

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

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

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

C - RISK PROFILE - RISK APPETITE STATEMENT

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

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

The risk profile is monitored through indicators and limits tracked once a quarter in the risk dashboard presented to the Board of Directors' Risk Committee. In the event that the set limits are overrun, a specific action plan is put in place. In more exceptional cases, and particularly under the strategic plan, adjustments may be made to the risk appetite framework, albeit without calling into question RCI's overall risk profile.

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

- Maintaining high levels of profitability and solvency, which is the guarantee of the reliability of this commitment vis-à- vis the shareholder;
- A refinancing policy based on diversifying funding sources and on building up adequate liquidity reserves;
- Developing multichannel financing and services offers that ensure a continuing relationship with customers, to meet their expectations and that enhance the group's public image.

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

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

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

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

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

- The **interest-rate risk** is monitored daily and controlled by a sensitivity limit of €50m if interest rate variation exceeds 100 basis points (parallel shift of the yield curve) or a rotation of more than 50 basis points around 2 years;
- **Operational risks** including risks of non-compliance (legal, tax, AML-TF, fraud, reputational, IT, personal data protection, etc.) are covered by a relevant risk mapping, specific procedures and controls, and are subject to monitoring by dedicated committees. Reporting at Board of Directors' Risk Committee and/or Executive Board level ensures compliance with alert thresholds and limits, set in order to minimize any risk of penalties or harm to the company's image and reputation.

D - STRESS TESTS

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

The stress tests process includes:

- An overall annual stress exercise as part of the ICAAP process (Internal Capital Adequacy Assessment Process). It covers all of the group's activities and in 2017 was based on four main scenarios: a central scenario based on the budget trajectory, a macro-economic stress scenario, and two internal stress scenarios to which a combined scenario was added. Projections of potential losses in respect of the establishment's risks are estimated over a three-year period;
- Liquidity stress tests ensure that the time frame in which the group can continue to operate is assured in a stressed market environment.
- Stress tests capturing the group's sensitivity to interest rate and foreign exchange risks. Interest rate risk is measured with the aid of yield curve translation and distortion scenarios.
- Stress tests designed by the EBA (European Banking Authority) or conducted within the supervisory framework of the ECB (European Central Bank) on the basis of a methodology common to the participating banks.

E - REMUNERATION POLICY

The remuneration policy for individuals whose professional activities have a significant impact on RCI Banque's risk profile is presented to and approved by the Remuneration Committee and the Board of Directors.

The Remuneration Committee met twice in 2017. As at 31 December 2017, the members of the Remuneration Committee were C. Delbos, T. Koskas and S. Stoufflet.

The fixed component of pay reflects the level of responsibility of the position held.

The variable component of pay is intended to reward the performance achieved. This variable component depends heavily on the consolidated financial and commercial results achieved by the RCI Banque group.

The variable component of remuneration is capped at a percentage of the fixed salary. This percentage is always lower than 100%, so RCI Banque complies with regulations on variable remuneration.

The criteria used to measure performance are the group's consolidated operating margin, the sales margin on new financing and services contracts, measured per country and on a consolidated basis, the operating ratio and the individual contribution assessed by the employee's line manager. The operating margin, which is affected by the risks to which RCI Banque is exposed, is a key factor in the variable pay system. If the targeted operating margin is not achieved, the ceiling on the variable pay distributed is materially reduced.

If on the other hand this target is achieved, the sales performance is factored in. The above parameters have been selected to a/ reward achievement of sales targets, and b/ to factor in the financial result, which incorporates all costs borne by the company and in particular those related to risks taken.

Over the 2017 financial year, there were 80 individuals with a significant impact on the risk profile. Their fixed pay for 2017 came to a total of 9,519,558 euros. Their variable pay for 2017 totaled 2,561,332 euros, equivalent to 26.90% of the fixed salary total, and to 21.20% of the combined total of their fixed and variable salaries.

To the extent that RCI Banque's activities focus solely on motor vehicle financing and services, there is no reason to break down these amounts by sector of activity.

No employee receives an annual salary of more than 1,000,000 euros.

For the 2017 financial year, remuneration paid by the RCI Banque group to members of the management body totaled 2,444,723 euros.

RCI Banque does not award shares or stock options.

Part of the variable pay awarded to individuals whose professional activities have a significant impact on RCI Banque's risk profile is deferred over a three-year period beyond the first payment, which is itself made at the end of the baseline financial year.

This policy of spreading the variable component of pay over a certain number of years was introduced by RCI Banque from the 2016 financial year onwards, with its first implementation at the end of that financial year, in early 2017.

Pursuant to Directive 2013/36/EU and in view of the principle of proportionality, RCI Banque has decided that:

- The policy of spreading variable remuneration over a certain number of years shall only apply to beneficiaries eligible for variable remuneration of more than 50,000 euros
- Depending on the amount of variable remuneration for which the beneficiary is eligible, the following rules shall apply:
    - From 50,001 euros to 83,300 euros: the amount of variable remuneration over and above 50,000 euros to which the beneficiary is entitled shall be deferred over a three-year period
    - Over 83,300 euros: 40 % of the variable remuneration shall be deferred over a three-year period
- One third of the deferred amount may be released in each of the three years in that period provided that RCI Banque has achieved a certain level of Pre-Tax Income, expressed as a percentage of average performing outstandings
- 50% of the amount awarded for the year following the baseline year shall be paid in cash and 50% by payment of funds into a Subordinated Term Account
- Likewise, 50% of the amount released in each of the three years of the deferment period shall be paid in cash and 50% by payment of funds into a Subordinated Term Account.

In the event that a serious event affecting RCI Banque's solvency occurs, in accordance with current legislation and regulations, the beneficiary may see the value of the funds allocated to the Subordinated Term Account reduced to zero and the related remuneration lost for good. In such an event therefore, withdrawal of funds at the end of the retention period is impossible, and no remuneration will be payable.

The Subordinated Term Account shall be fully deleted and its repayment value reduced to zero should any of the following events occur:

- If the CET1 solvency ratio, defined according to the terms of Article 92 (1) (a) of the CRR, is less than 7 %;
- If the banking regulator starts resolution proceedings against RCI Banque.

Lastly, if the beneficiary is the subject of an investigation and/or disciplinary proceedings into a potential breach or action or misconduct that could have impacted directly or indirectly on RCI Banque's Pre-Tax Income or Operating Margin, or that might indicate a lack of fitness or propriety, allocation of the deferred amount shall be suspended until such time as the findings of the investigation or disciplinary proceedings are known. If no breach or misconduct is identified and no sanctions imposed, the beneficiary's eligibility for the deferred remuneration will be maintained. If a breach or misconduct is identified and sanctions imposed, then the beneficiary will no longer be eligible for that deferred remuneration.

Thus, in light of the RCI Banque group's internal organization and the nature, scope and low complexity of its activities, RCI Banque has put in place a remuneration policy that guarantees a principle of deferred and conditional payment for individuals whose professional activities have a significant impact on the risk profile. This principle will be re-assessed on a regular basis in the event that exposure to risks changes.

II - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

A - APPLICABILITY - PRUDENTIAL SCOPE

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

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

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

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

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

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

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.

II-1 LI1 - 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	1 303	1 303	1 303				
Derivatives	123	123		123			
Financial assets AFS and other financial assets	1 287	1 143	1 143				
Amounts receivable from credit institutions	1 124	1 119	1 119				
Loans and advances to customers	43 430	43 764	43 883				-119
Held-to-maturity financial assets							
Current tax assets	267	36	36				
Deferred tax assets	112	87	27				60
Adjustment accounts & miscellaneous assets	1 009	1 017	1 017				
Non-current assets held for sale							
Investments in associates and joint ventures	102	149	149				
Operating lease transactions	839	839	839				
Tangible and intangible non-current assets	29	29	23				6
Goodwill	84	84					84
Total assets	**49 709**	**49 692**	**49 537**	**123**			**31**
Liabilities							
Central Banks	2 500	2 500					2 500
Derivatives	118	118		4			113
Amounts payable to credit institutions	2 444	2 444					2 444
Amounts payable to customers	15 844	16 400	20				16 380
Debt securities	21 339	21 339					21 339
Current tax liabilities	136	64					64
Deferred tax liabilities	422	422					422
Adjustment accounts & miscellaneous liabilities	1 632	1 550	-3				1 552
Non-current liabilities held for sale							
Provisions	124	124					124
Insurance technical provisions	418						
Subordinated debt - Liabilities	13	13					13
Equity	4 719	4 719					4 719
Total liabilities	**49 709**	**49 692**	**17**	**4**			**49 670**

II-2 LI2 - 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	49 660	49 537	123		
Liabilities carrying value amount under regulatory scope of consolidation	22	17	4		
Total net amount under regulatory scope of consolidation	**49 639**	**49 520**	**119**		
Off-balance sheet amounts	2 116	2 116			
Differences in valuations	147	25	122		
Differences due to different netting rules, other than those already included in row 2	-865	-864	-1		
Differences due to consideration of provisions	437	437			
Differences due to prudential filters					
Exposure amounts considered for regulatory purposes	**51 474**	**51 234**	**240**		

II-3 LI3 - 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

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	
Banco RCI Brasil S.A.	Full consolidation	X				Credit institution
Rombo Compania Financiera S.A.	Full consolidation	X				Credit institution
Diac Location S.A.	Full consolidation	X				Finance and services company
RCI Banque S.A.	Full consolidation	X				Credit institution
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

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	
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
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
Class & Co	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 “Pillar I” solvency ratio stood at 15.04% on 31 December 2017 (including Core Tier one 15.01%) against 15.77% at 31 December 2016 (including Core Tier one 15.74%). These ratios include the net profits of the year 2017 according to Article 26.2 of the CRR and in the conditions of ECB decision 2015/4. Compared with December 2016, the reduction in the solvency ratio is due to a significant increase in group’s exposures (+ €6,460m) and by the recalibration in June 2017 of certain parameters of the internal rating models used to calculate weighted risks. The consequence of these two effects is an increase in our weighted risks of €4,819m.

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 end-December 2017, RCI Banque must apply the following capital buffers:

- A capital conservation buffer of 1.25% of total risk-weighted exposures;
- A countercyclical capital buffer applied to exposures in Sweden and Norway for 1.5% as well as in the Czech Republic for 0.5%, representing 0.02% of total risk-weighted exposures.

IMPACTS OF IFRS 9 "FINANCIAL INSTRUMENTS", APPLICABLE AS OF 1ST JANUARY 2018

IFRS 9 "Financial Instruments", published by the IASB in July 2014 will replace IAS 39 "Financial Instruments: Recognition and Instruments". It sets out new principles for the classification and measurement of financial instruments, of credit risk impairment on debt instruments recognized at amortized cost or fair value through equity, of loan commitments and financial guarantee contracts and of lease receivables and contract assets, and for general hedge (or microhedge) accounting.

IFRS 9 was adopted by the European Union on 22 November 2016 and will become mandatory for all financial years starting on or after 1st January 2018.

Subject to review and validation work in progress, implementation of IFRS 9 should have an estimated maximum impact of -0.20% on the bank's solvency ratio at 1st January 2018.

II-4 CCC1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

In Millions of euros	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
Breakdown by country												
Argentina	512						34			34	0,02	
Austria	650						46			46	0,02	
Belgium	405						33			33	0,02	
Brazil	1 765						112			112	0,05	
Swiss	837						58			58	0,03	
Czech Republic	248						17			17	0,01	0,50%
Germany	342	7 056					154			154	0,08	
Spain	522	3 918					179			179	0,09	
France	1 504	13 229					572			572	0,28	
Great-Britain	708	4 319					211			211	0,10	
Hungary	74						6			6	0,00	
Ireland	478						31			31	0,02	
India	30						6			6	0,00	
Italy	652	5 002					219			219	0,11	
South Korea	145	1 531					52			52	0,03	
Morocco	484						34			34	0,02	
Malta	72						14			14	0,01	
Netherlands	663						53			53	0,03	
Norway	3											1,50%
Poland	802						57			57	0,03	
Portugal	665						49			49	0,02	
Romania	198						13			13	0,01	
Russia	163						13			13	0,01	
Sweden	249						20			20	0,01	2,00%
Slovenia	229						16			16	0,01	
Slovakia	33						3			3	0,00	
Turkey	303						18			18	0,01	
Other countries	293						19			19	0,01	
Total all countries	**13 029**	**35 056**					**2 037**			**2 037**	**1,00**	**0,02%**

In accordance with the method used to calculate the countercyclical capital buffer, only the own funds requirements stipulated under Article 140(4) of CRD IV are included.

II-5 CCC2 - Amount of institution-specific countercyclical capital buffer

In Millions of euros	Amounts
Total risk exposure amount	29 589
Institution specific countercyclical buffer rate	0,02%
Institution specific countercyclical buffer requirement	7

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 represents 99.8% of total prudential own funds at end-December 2017 and at end-2016.

Common Equity Tier 1 capital increased by €542m compared with 31 December 2016 to €4,442m, RCI Banque having included the 2017 profits and does not plan to distribute 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 holds no such instruments.

COMMON EQUITY TIER 2 ("CET 2")

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

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

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

II-6 Main characteristics of equity instruments

Features	Relevant information
Issuer	DIAC S.A.
Unique identifier	FR0000047821
Governing law(s) of the instrument	French
Eligible at solo/(sub-)consolidated or combined	Eligible at consolidated level (RCI Banque)
Instrument type	T2
Amount recognized in regulatory capital	7 M€
Nominal amount of instrument	1000 FRF or 152.45€
Accounting classification	Subordinated debt
Original date of issuance	1/04/85
Perpetual or dated	Perpetual
Issuer call subject to prior supervisory approval	None
Fixed or floating dividend/coupon	Floating coupon
Coupon rate and any related index	Based on the net result, with a minimum of the TAM (floored at 6.5%) and 130% of the TAM
Existence of step up or other incentive to redeem	No step up or incentive to redeem
Convertible or non-convertible	non-convertible
Write-down features	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated bonds with no enhancement clause. Participating loan stocks are junior to senior debt of the issuer. In the event of company liquidation, notes shall be repaid after the payment of all other liabilities.

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

No amount was added to Tier 2 equity at the end of December 2017, or at the end of 2016.

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

II-7 FP1 - 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)	1 481	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	721	26 (2)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**4 691**		

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 (-)		34, 105	
Intangible assets (net of related tax liability) (-)	-90	36 (1) (b), 37, 472 (4)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (-)	-60	36 (1) (c), 38, 472 (5)	
Fair value reserves related to gains or losses on cash flow hedges	9	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	-124	36 (1) (d), 40, 159, 472 (6)	
Any increase in equity that results from securitised assets (-)		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 (-)		36 (1) (e), 41, 472 (7)	
Direct and indirect holdings by an institution of own CET1 instruments (-)		36 (1) (f), 42, 472 (8)	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		36 (1) (g), 44, 472 (9)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a investment in those entities (< 10% threshold and net of eligible short positions) (-)		36 (1) (h), 43, 45, 46,49 (2) (3), 79, 472 (10)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a investment in those entities (<10% threshold and net of eligible short positions) (-)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to(3), 79, 470, 472	
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 (-)		*36 (1) (k) (i), 89 to 91*	
of which: securitisation positions (-)		*36 (1) (k) (ii)243 (1) (b)244 (1) (b)*	
of which: free deliveries (-)		*36 (1) (k) (iii), 379 (3)*	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (-)		36 (1) (c), 38, 48 (1)(a), 470, 472 (5)	
Amount exceeding the 15% threshold (-)		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 (-)		36 (1) (a), 472 (3)	
Foreseeable tax charges relating to CET1 items (-)		36 (1) (l)	
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
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	11	481	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)		36 (1) (j)	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-248**		
Common Equity Tier 1 (CET1) capital	**4 442**		

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			

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: regulatory adjustments			
Direct and indirect holdings by an institution of own ATI Instruments (-)		52 (1) (b), 56 (a), 57, 475 (2)	
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		56 (b), 58, 475 (3)	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (< 10% threshold and net of eligible short positions) (-)		56 (c), 59, 60, 79, 475 (4)	
Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (< 10% threshold net of eligible short positions) (-)		56 (d) , 59, 60, 79, 475 (4)	
Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		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 (-)		56 (e)	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital			

Tier 1 capital (T1 = CET1 + AT1)	**4 442**		

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 (-)		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 (-)		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		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) (-)		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)	**4 450**		

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 575/2013 residual 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 575/2013 residual amounts)			
Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)		*475, 475 (2) (b), 475 (2) (c), 475 (4) (b)*	
Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts)		*477, 477 (2) (b), 477 (2) (c), 477 (4) (b)*	
Total risk weighted assets	**29 589**		
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	15,01%	92 (2) (a), 465	
Tier 1 (as a percentage of risk exposure amount)	15,01%	92 (2) (b), 465	
Total capital (as a percentage of risk exposure amount)	15,04%	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)	10,51%	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 (< 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c),	
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the insti- tution has a significant investment in those entities (< 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	152	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	85	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 to credit institutions and investment firms, as published in the Official Journal of the European Union on 26 June 2013: Regulation (EU) 575/2013 and Directive 2013/36/EU, transposed by Order 2014-158 of 20 February 2014. This upward trend in capital requirements primarily reflects the overall increase in activity of the RCI Banque group.

II-8 OV1- Overview of RWA

In Millions of euros	RWA		Min. capital requirements
	12/2017	09/2017	12/2017
Credit risk (excluding CCR)	25 676	26 612	2 054
Of which the standardised approach	*11 528*	*13 298*	*922*
Of which the foundation IRB (FIRB) approach	*254*	*169*	*20*
Of which the advanced IRB (AIRB) approach	*13 894*	*13 145*	*1 112*
Of which equity IRB under the simple RWA or the IMA			
CCR	168	183	13
Of which mark to market			
Of which original exposure			
Of which the standardised approach	*91*	*104*	*7*
Of which internal model method (IMM)			
Of which REA for contributions to the default fund of a CCP			
Of which CVA	*77*	*79*	*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	3 178	2 945	254
Of which basic indicator approach			
Of which standardised approach	*3 178*	*2 945*	*254*
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% RW)	568	579	45
Floor adjustment			
Total	**29 590**	**30 319**	**2 367**

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 the Chief Risk Officer and Chief Executive Officer under the control of RCI Banque's Board of Directors.

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

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

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

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

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

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

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 has been mandatory (Article 521-2a of the CRR) at least once a year (CRR a.433), together with the financial statements (BCBS270 Article 45).

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

The RCI Banque group's leverage ratio, estimated according to CRR/CRD IV rules and factoring in the delegated regulation of October 2014, was 8.59% at 31 December 2017.

II-9 LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

In millions of euros

Total assets as per published financial statements	**49 709**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-17
Adjustments for derivative financial instruments	186
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2 119
Other adjustments	-271
Leverage ratio total exposure measure	**51 726**

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

II-10 LRCom - Leverage ratio

In millions of euros

On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	49 546
Asset amounts deducted in determining Tier 1 capital	-248
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**49 298**
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	309
Total derivatives exposures	**309**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2 396
Adjustments for conversion to credit equivalent amounts	-277
Total other off-balance sheet exposures	**2 119**
Capital and total exposure mesure	
Tier 1 capital	4 442
Leverage ratio total exposure measure	51 726
Leverage ratio	**8,59%**

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

II-11 LRSpl - Breakdown 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)	**49 546**
Trading book exposures	
Banking book exposures, of which:	49 546
Exposures treated as sovereigns	*2 826*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*55*
Institutions	*1 131*
Retail exposures	*27 847*
Corporate	*16 111*
Exposures in default	*239*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1 337*

II-12 LRQua - Statement of qualitative elements

Descriptions of the procedures used to manage the excessive leverage risk	RCI Banque monitors its leverage ratio on a monthly basis and keeps the Executive Committee informed thereof. The ratio is also stated in the balanced scorecard of risks provided quarterly to the Board of Directors' Risks Committee. An internal limit has been set and a warning system has been put in place.
Description of factors having an impact on the leverage ratio during the period to which the leverage ratio disclosed by the institution refers	RCI Banque disclosed a Basel III leverage ratio of 8.59% at the end of December 2017 against 8.63% at the end of December 2016. The ratio is stable, due to growth in exposures (mainly in Europe) in line with 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 5% recommended by the Basel Committee.

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

III - CREDIT RISK

A - EXPOSURE TO THE CREDIT RISK

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.

- 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: exposures on customers in arrears for more than three months or under insolvency proceedings. On Corporate business, other criteria related to the monitoring of dealers are considered to identify the unlikeliness to pay.

III-1 CR3 - Credit risk mitigation techniques – overview

In millions of euros	Exposures unsecured	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	43 699		864		
Debt securities	937				
Total	**44 636**		**864**		
Of which defaulted	*564*				

III-2 CRB-B - 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	11 336	9 199
Of which: SMEs	*2 875*	*2 566*
Retail	23 283	20 016
Secured by real estate property		
Qualifying revolving		
Other retail	*23 283*	*20 016*
SMEs	*2 524*	*2 156*
Non-SMEs	*20 759*	*17 860*
Equity		
Total IRB approach	**34 619**	**29 215**
Central governments or central banks	2 783	1 907
Regional governments or local authorities	44	39
Public sector entities	17	20
Multilateral development banks		4
International organisations	67	88
Institutions	1 204	1 323
Corporates	5 756	6 273
Of which: SMEs	*3 163*	*2 522*
Retail	6 035	5 304
Of which: SMEs	*1 225*	*1 128*
Secured by mortgages on immovable property		
Exposures in default	85	91
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment	96	107
Collective investments undertakings		
Equity exposures	176	147
Other exposures	89	582
Total standardised approach	**16 351**	**15 886**
Total	**50 970**	**45 101**

III-3 CRB-C - Geographical breakdown of exposures

In Millions of euros	France	Germany	Great-Britain	Italy	Spain	Brazil	South Korea	Swiss	Portugal	Poland	Netherland	Other countries	Total
Corporates	6 466	1 559	895	1 365	1 052								11 336
Retail	6 590	5 454	3 335	3 581	2 825		1 497						23 283
Total IRB approach	**13 056**	**7 013**	**4 231**	**4 946**	**3 877**		**1 497**						**34 619**
Central governments or central banks	1 833	91	131	177	94	192	148	2	29	38		49	2 783
Regional or local authorities	44			0									44
Public sector entities						17							17
International organisations												67	67
Institutions	506	181	197	111	35	1		1	10	20	28	113	1 204
Corporates	530	167	47	372	473	380	93	372	421	406	349	2 148	5 756
Retail	484	16	392	196	8	1 519	33	438	216	376	255	2 103	6 035
Exposures in default	4	0	3	0	1	35	2	2	6	4	0	29	85
Claims on institutions and corporates with a short-term credit	56	13	9	0		11	8						96
Equity exposures	26										47	102	176
Other exposures	-717	155	267	104	41	5	10	25	22	17	11	149	89
Total standardised approach	**2 767**	**623**	**1 045**	**960**	**652**	**2 159**	**293**	**839**	**704**	**860**	**690**	**4 759**	**16 351**
Total	**15 823**	**7 636**	**5 275**	**5 906**	**4 528**	**2 159**	**1 790**	**839**	**704**	**860**	**690**	**4 759**	**50 970**

III-4 CRB-D - Concentration of exposures by industry or counterparty types

In Millions of euros	Central governments or central banks	Institutions	Other financial corporations	Households	Non-financial corporations	Of which								Other exposures	Total
						Manufacturing	*Construction*	*Wholesale and retail trade*	*Transport ans storage*	*Professional, scientific and technical activities*	*Administrative and support service activities*	*Human health services and social work activities*	*Other sectors*		
Central governments or central banks															
Institutions															
Non-financial corporations					13 860	*555*	*780*	*9 592*	*276*	*251*	*1 378*	*291*	*736*		13 860
Households				20 759											20 759
Equity															
Total IRB approach				**20 759**	**13 860**	***555***	***780***	***9 592***	***276***	***251***	***1 378***	***291***	***736***		**34 619**
Central governments or central banks	2 783														2 783
Regional or local authorities			44												44
Public sector entities			17												17
Multilateral development banks															
International organisations			67												67
Institutions		1 204													1 204
Non-financial corporations					8 209	*440*	*215*	*6 096*	*228*	*57*	*458*	*63*	*651*		8 209
Households				3 581											3 581
Secured by mortgages on immovable property															
Exposures in default	0		0	26	59	*2*	*1*	*49*	*1*	*0*	*2*	*0*	*3*		85
Items associated with particularly high risk															
Covered bonds															
Claims on inst. and corporates with a ST credit assessment		89			8			*6*					*2*		96
Collective investments undertakings															
Equity exposures														176	176
Other exposures														89	89
Total standardised approach	**2 784**	**1 292**	**127**	**3 607**	**8 275**	***442***	***216***	***6 151***	***229***	***57***	***460***	***64***	***656***	**265**	**16 351**
Total	**2 784**	**1 292**	**127**	**24 366**	**22 136**	***998***	***996***	***15 743***	***505***	***308***	***1 838***	***355***	***1 392***	**265**	**50 970**

III-5 CRB-E - Maturity of exposures

In Millions of euros	On Demand	≤ 1 year	> 1 year and ≤ 5 years	> 5 years	No stated maturity	Total
Central governments or central banks						
Institutions and other financial corporations						
Non-financial corporations	483	10 811	2 548	18		13 860
Households	52	7 826	12 658	223		20 759
Other exposures						
Total IRB approach	**535**	**18 637**	**15 206**	**241**		**34 619**
Central governments or central banks	1 712	685	363	23		2 784
Institutions and other financial corporations	885	179	333	22		1 419
Non-financial corporations	1 009	5 726	1 219	107	214	8 275
Households	12	1 513	2 032	50		3 607
Other exposures					265	265
Total standardised approach	**3 618**	**8 104**	**3 948**	**201**	**480**	**16 351**
Total	**4 153**	**26 741**	**19 154**	**443**	**480**	**50 970**

III-6 CR1-A - Credit quality of exposures by exposure class and instrument

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks							
Institutions							
Corporates	63	11 325	-22	-29		11 336	7
Of which: SMEs	*28*	*2 871*	*-13*	*-11*		*2 875*	*12*
Retail	341	23 328	-222	-164		23 283	1
Secured by real estate property							
Qualifying revolving							
Other retail	*341*	*23 328*	*-222*	*-164*		*23 283*	*1*
SMEs	*56*	*2 522*	*-35*	*-19*		*2 524*	*3*
Non-SMEs	*284*	*20 806*	*-187*	*-145*		*20 759*	*-2*
Equity							
Total IRB approach	**404**	**34 653**	**-244**	**-193**		**34 619**	**8**
Central governments or central banks	0	2 783		0		2 784	0
Regional governments or local authorities	0	44				44	
Public sector entities		17				17	
Multilateral development banks							
International organisations		67				67	
Institutions		1 204				1 204	
Corporates	77	5 811	-24	-55		5 808	4
Of which: SMEs	*70*	*3 205*	*-22*	*-42*		*3 210*	*9*
Retail	93	6 070	-61	-35		6 067	28
Of which: SMEs	*17*	*1 232*	*-10*	*-7*		*1 231*	*-1*
Secured by mortgages on immovable property							
Items associated with particularly high risk							
Covered bonds							
Claims on inst. and corporates with a ST credit assessment		96				96	
Collective investments undertakings							
Equity exposures		181		-5		176	-5
Other exposures		89				89	
Total standardised approach	**170**	**16 362**	**-86**	**-96**		**16 351**	**27**
Total	**574**	**51 015**	**-329**	**-289**		**50 970**	**35**
Of which: Loans	*551*	*40 425*	*-329*	*-289*		*40 358*	*35*
Of which: Debt securities		*955*				*955*	
Of which: Off-balance-sheet exposures	*0*	*2 525*				*2 525*	

III-7 CR1-B - Credit quality of exposures by industry or counterparty types

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks	0	2 783		0		2 784	0
Institutions		1 292				1 292	
Other financial corporations	0	127				127	
Households	352	24 384	-238	-132		24 366	-5
Non-financial corporations	222	22 157	-92	-151		22 136	45
Of which: Manufacturing	*10*	*997*	*-3*	*-7*		*998*	*2*
Of which: Construction	*15*	*993*	*-4*	*-7*		*996*	*2*
Of which: Wholesale and retail trade	*156*	*15 767*	*-74*	*-107*		*15 743*	*33*
Of which: Transport ans storage	*6*	*504*	*-1*	*-3*		*505*	*1*
Of which: Professional, scientific and technical activities	*4*	*308*	*-1*	*-2*		*308*	*1*
Of which: Administrative and support service activities	*13*	*1 842*	*-3*	*-14*		*1 838*	*3*
Of which: Human health services and social work activities	*2*	*357*	*-1*	*-3*		*355*	*1*
Of which: Other sectors	*16*	*1 390*	*-4*	*-9*		*1 392*	*2*
Other exposures		270		-5		265	-5
Total	**574**	**51 015**	**-329**	**-289**		**50 970**	**35**

III-8 CR1-C - Credit quality of exposures by geographical area

In Millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
France	234	15 773	-126	-59		15 823	28
Germany	27	7 652	-25	-19		7 636	-4
Great-Britain	25	5 339	-10	-79		5 275	-19
Italy	74	5 895	-42	-20		5 906	3
Spain	35	4 541	-27	-21		4 528	5
Brazil	54	2 141	-19	-17		2 159	22
South Korea	38	1 791	-35	-4		1 790	-9
Swiss	5	839	-3	-1		839	-1
Portugal	9	707	-3	-9		704	-1
Poland	9	867	-5	-10		860	-3
Netherland	2	697	-2	-7		690	2
Other countries	62	4 774	-33	-43		4 759	12
Total	**574**	**51 015**	**-329**	**-289**		**50 970**	**35**

III-9 CR1-D - Ageing of past-due exposures

In millions of euros	Gross carrying values					
	≤ 30 days	> 30 days and ≤ 60 days	> 60 days and ≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year
Loans	522	30	22	51	20	252
Debt securities						
Total exposures	**522**	**30**	**22**	**51**	**20**	**252**

III-10 CR1-E - Non-performing and forborne exposures

In millions of euros	Gross carrying amount of performing and non-performing exposures						
		Of which performing but past due > 30 to 90 d	Of which performing forborne	Of which non-performing	Of which defaulted	Of which impaired	Of which forborne
Loans	44 563	52	72	564	564	564	55
Debt securities	937						
Off-balance-sheet exposures	2 423			2	2		

In millions of euros	Accumulated impairment and provisions and negative fair-value adjustments due to credit risks				Collaterals and financial guarantees received	
	On performing exposures	Of which forborne	On non-performing exposures	Of which forborne	On non-performing exposures	Of which forborne exposures
Loans	-210	0	-401	-41	103	5
Debt securities						
Off-balance-sheet exposures						

III-11 CR2-A - Changes in the stock of general and specific credit risk adjustments

In millions of euros	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**411**	**242**
Increases due to amounts set aside for estimated loan losses during the period	183	100
Decreases due to amounts reversed for estimated loan losses during the period	-44	-68
Decreases due to amounts taken against accumulated credit risk adjustments	-199	
Transfers between credit risk adjustments		
Impact of exchange rate differences	50	-64
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments		
Closing balance	**401**	**210**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	12	
Specific credit risk adjustments directly recorded to the statement of profit or loss	123	

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

In millions of euros	GC value defaulted exposures
Opening balance	**614**
Loans and debt securities that have defaulted or impaired since the last reporting period	351
Returned to non-defaulted status	-269
Amounts written off	-123
Other changes	
Closing balance	**573**

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

B - CREDIT RISK MANAGEMENT PROCESS

For both the Customers and the Wholesale business, the credit risk prevention policy aims to ensure that the budgeted cost of risk for each country is met, regarding the brands and the 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 monitors its acceptance policy to consider the economic environment conditions.

CUSTOMER RISK MANAGEMENT

The acceptance policy is adjusted and the tools (approval scores, combined with additional rules) are optimized regularly consequently. Collection of incident-flagged or defaulted receivables is also adjusted regarding the means or strategy, according to customer typology and the difficulties encountered.

Contractual termination can thus be accelerated when faced with the risk when the debt becomes irrecoverable in a very short term. At the Corporate level, the Operations and Credit Risk Management department manages the cost of risk of the subsidiaries and coordinates the action plans aimed at achieving the set targets. Granting conditions are subject to the strict Corporate rules, and the management of the financing and the recovery is very deeply monitored. The subsidiaries' performances in terms of the quality of acceptance and the collection efficiency are analyzed in monthly Risk reports and are presented to the Corporate by the subsidiaries during monthly or bimonthly (depending on the significance of the country concerned) committees.

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 declined in the local management/ recovery procedures.

DEALER RISK MANAGEMENT

For the perimeter of each subsidiary, the Dealers are monitored daily by the means of short-term indicators that, combined with long-term indicators, identify in advance any deal presenting a partial or total risk of non-collection. Within the subsidiaries with the internal model in place, the internal rating plays a key role in identifying deals that present a heightened risk of default.

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

RETAIL CUSTOMER BUSINESS RESULTS AT THE END OF DECEMBER 2017

The book cost of risk, which reflects changes in provisions and in receivables written off is a principal indicator for the risk management. The method known as “economic provisioning”, used in the main RCI countries for the Retail Customer business, measures whether the level of risk is improving or worsening. Provisions for credit risks are determined, as follows:

- Frstly, 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 the receivables and of the performance of debt collection results in a rise in the provision allowances.

The cost of risk on the Retail Customer business at the end of December 2017 came to 0.19% of average performing assets, or €57.6m, which is below the December 2016 level of 0.33 % for €83.0m. This record low risk level proves RCI Banque's ability to maintain the quality of its portfolio against a backdrop of business growth. It also benefited from the positive impacts generated by an improvement in losses given default in France, and an improving economic environment in South America.

By keeping the risk chain well under control, both upstream at acceptance process level, and downstream at collection level, the group's entities once again achieved a very low cost of risk. After the financial crisis since 2009, the cost of risk has never exceeded 0.60% of average performing outstandings.

Doubtful outstandings remained stable in absolute value terms at €452m, but continued to decrease as a percentage of total outstandings. They accounted for 1.38% of total receivables at end of 2017 against 1.58% at end of 2016. This decrease in relative value is obviously due in part to the increase in RCI's performing outstandings, but is also attributable to doubtful debt assignment policies combined with improved control of acceptance and improvements in debt collection processes in most of the subsidiaries.

The coverage ratio of doubtful outstandings was 65.7% at end of 2017, sharply down comparing to the end of 2016 (72.8%), mainly due to the updating of the LGD rate for France, and which at the same time reflects the positive effects of the debt assignments on the rejuvenation of the doubtful portfolio.

Forborne loans outstanding considered as performing or in default totaled €116.8m, showing a rise compared with end of December 2016 (€107.2m).

DEALER BUSINESS RESULTS AT END OF DECEMBER 2017

RCI Banque continued its policy of support for manufacturers and their distribution networks by providing suitable financing solutions. In that respect, managing inventories with the manufacturers and ensuring their appropriateness for market conditions remained a priority.

The cost of risk on the dealer (wholesale) financing business came, with reversals, to a profit of 0.15% of average performing outstandings, or €14.6m. The improvement in macroeconomic and sector-based indicators explains partially the reversal of provisions, especially in the countries of the Southern Europe.

Finally, in 2017, doubtful outstanding went down from €123m to €89m, or 0.85% of dealer outstandings, with just €11m of debt write-offs over the period, confirming the general upturn.

Restructured (forborne) loan outstandings were limited to €9.9m, slightly down comparing to 2016 (€10.4m at end-December 2016), which explains the low risk in Dealer (wholesale) financing.

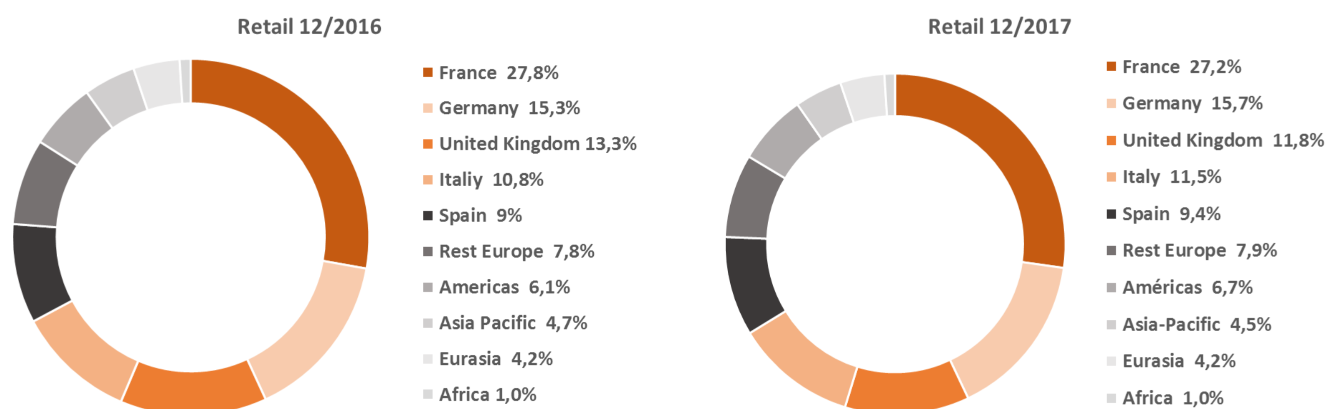
C - DIVERSIFICATION OF CREDIT RISK EXPOSURE

RCI's customer outstandings, which grew 18.16% to 33.5 billion euros in 2017, are spread over 25 countries (excluding India and Ukraine), and are highly represented in Europe. The percentage of G7 countries (IRB approved or pending approval for Brazil) increased to 86.8% of the RCI total in 2017 against 86% in 2016. This increase reflects the buoyancy of the markets in which RCI operates, with the exception of the UK market whose share, despite the 4.9% increase in its outstandings over 2017, fell from 13.3% in 2016 to 11.8% in 2017. A detailed monitoring has been put in place for the United Kingdom, given the negative economic outlook caused by the "Brexit" vote.

As regards the product breakdown of the Retail Customer business, credit loans represent 67% of G7 outstandings (France, Germany, Italy, Spain, United Kingdom, Brazil and Korea), leasing contracts 21% and long-term rentals 12% (the G7 accounts for 88% of RCI Bank's retail customer outstandings, consolidated scope).

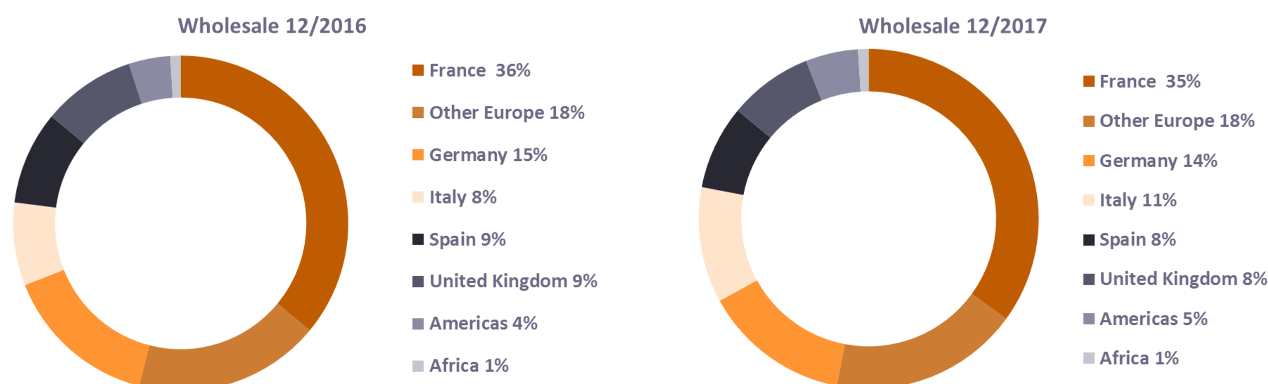
With regard to the breakdown by type of customer, individuals make up the largest share with 65% of G7 outstandings, against 34% for Corporate customers and 1% for Sovereigns.

III-13 Retail credit risk exposure



RCI Dealer (wholesale) outstandings are spread over 25 consolidated countries strongly represented by Europe. The weight of each country remained relatively stable. However, the weight of Italy, fueled by a growing market (+6.7%) and an excellent performance by Alliance brands (+13.6% for Renault and +11.3% for Nissan increased sharply. The increasing weight of the Americas is attributable to consolidation of the new subsidiary in Colombia and growth of the Argentine market, while Brazil remained at a stable level.

III-14 Wholesale credit risk exposure



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 standardized 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, all parameters are therefore 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.

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 solvency 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 up front, etc.) and according to the characteristics of the financed good (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 figures relating to credit risk exposures concern 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 Customer portfolio and 45% for the overall Corporate portfolio using the advanced internal rating method and 91% for the basic internal rating method.

The conversion factors applied to off-balance sheet unit exposures are regulation rates (exclusively 100%). The calculated average rates come to 100% for the customer financing commitments (representing €1,062m), and 100% for the corporate approvals (representing €416m).

III-15 CR6 IRB approach – 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	3			3	0,03%	28	45,00%	2,5	0	15,28%		
0.15 to <0.25												
0.25 to <0.50	82			82	0,35%	16	45,00%	2,5	51	62,28%	0	
0.50 to <0.75												
0.75 to <2.50	163			163	1,01%	62	45,00%	2,5	157	96,18%	1	
2.50 to <10.00	31			31	4,07%	9	45,00%	2,5	46	148,28%	1	
10.00 to <100.00	0			0	13,13%	2	45,00%	2,5	0	225,00%	0	
100.00 (Default)												
Sub-total Corporate FIRB	**278**			**278**	**1,15%**	**117**	**45,00%**	**2,5**	**254**	**91,23%**	**1**	
Portfolio Corporates AIRB												
0.00 to <0.15	272	35	100%	306	0,03%	442	39,17%	1,9	35	11,34%	0	0
0.15 to <0.25												
0.25 to <0.50	1 213	56	100%	1 232	0,34%	617	17,63%	1,3	241	19,58%	1	-1
0.50 to <0.75	3 046	34	100%	2 534	0,74%	633	16,11%	1,3	553	21,81%	2	-2
0.75 to <2.50	3 401	150	100%	3 515	1,43%	3 905	22,40%	1,3	1 498	42,61%	10	-7
2.50 to <10.00	2 345	104	100%	2 373	4,86%	2 393	23,98%	1,4	1 628	68,58%	24	-12
10.00 to <100.00	356	34	100%	390	19,34%	427	33,41%	1,8	627	160,49%	27	-9
100.00 (Default)	60	3	100%	63	100,00%	137	66,59%	1,2	145	230,41%	30	-22
Sub-total Corporate AIRB	**10 693**	**416**	**100%**	**10 414**	**3,14%**	**8 554**	**21,84%**	**1,4**	**4 725**	**45,38%**	**95**	**-51**
Portfolio Retail												
0.00 to <0.15	2 318	275	100%	2 593	0,11%	434 271	42,62%		299	11,54%	1	-1
0.15 to <0.25	1 439	137	100%	1 576	0,22%	230 081	38,17%		267	16,93%	1	0
0.25 to <0.50	2 849	91	100%	2 940	0,33%	330 673	45,55%		778	26,44%	4	-3
0.50 to <0.75	4 346	75	100%	4 421	0,54%	354 521	36,19%		1 277	28,89%	9	-8
0.75 to <2.50	8 129	360	100%	8 489	1,21%	689 338	44,66%		4 163	49,04%	46	-56
2.50 to <10.00	2 490	113	100%	2 603	4,52%	205 634	41,98%		1 556	59,78%	49	-35
10.00 to <100.00	697	10	100%	706	24,29%	62 836	42,95%		677	95,78%	74	-60
100.00 (Default)	340	1	100%	341	100,00%	45 106	83,21%		152	44,72%	278	-222
Sub-total Retail	**22 607**	**1 062**	**100%**	**23 669**	**3,26%**	**2 352 460**	**42,74%**		**9 169**	**38,74%**	**464**	**-386**
Total (all portfolios)	**33 578**	**1 478**	**100%**	**34 361**	**3,21%**	**2 361 131**	**36,42%**		**14 148**	**41,17%**	**560**	**-437**

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.

III-16 Segmentation of exposures by the advanced method and average PD by country

Category of exposure	Internal/External model	Average sound portfolio PD at 31/12/2017
Retail individuals	Internal	1,51%
Small and medium-sized companies	Internal	3,40%
Large companies	Internal	1,86%
Dealers	Internal	2,50%

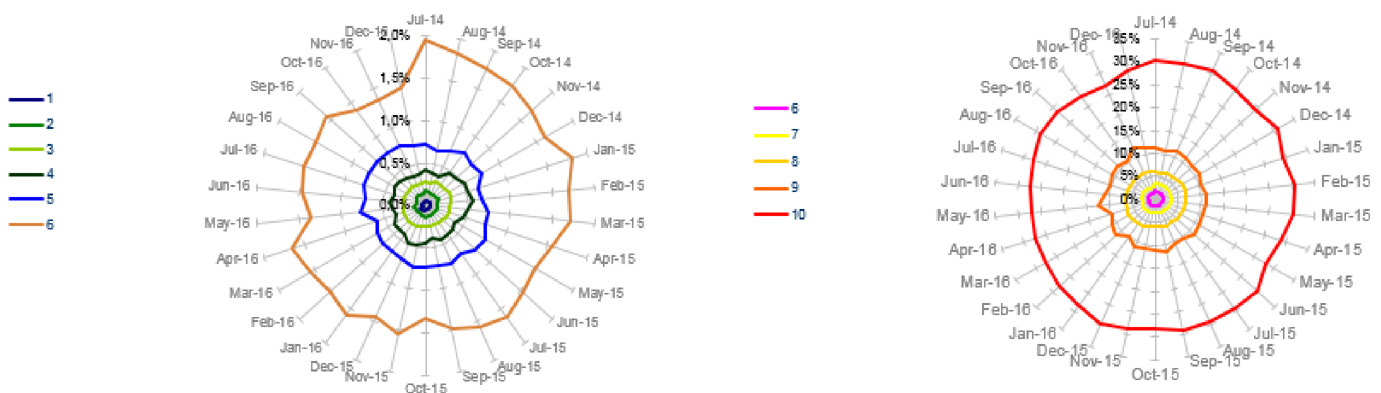
iii) Testing PD models

The figures disclosed in this section come from the backtesting databases, which are in line with the modeling databases. The figures given in the previous sections correspond to the use of parameters, and so there may be differences in management rules. For example, the default rates and PDs derived from the backtesting world are based solely on the performing portfolio. In addition, in backtesting, if a counterparty belongs to a consolidation group whose annual sales exceed 50 million euros, the exposure class for the group's components will not be impacted, which can cause volume and allocation differences.

In many countries, backtesting of PD models has underlined that the models can effectively prioritize risks but that they also overestimate PDs per class. It should be noted that the internal backtesting procedures focus on calibrations by class of risk over time and not by class of exposure with PD averages in numbers and not in outstandings.

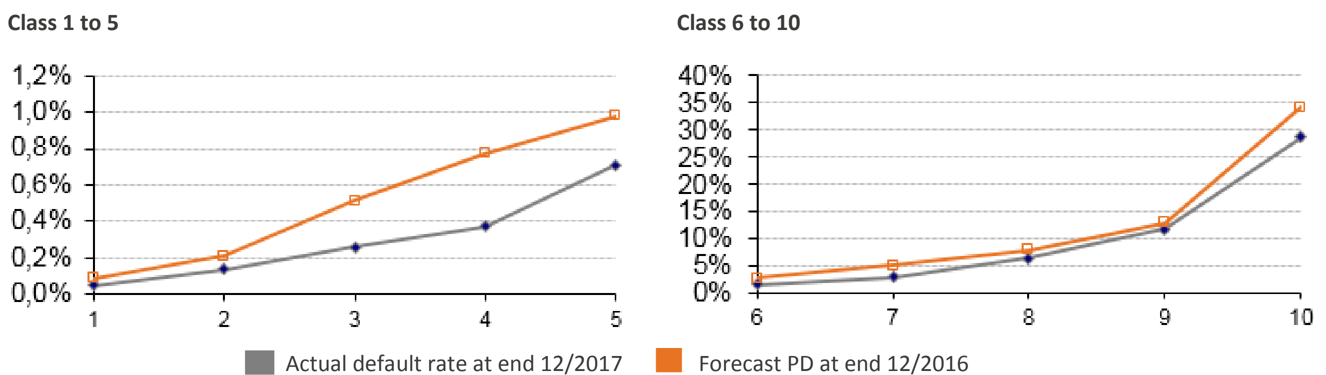
This is illustrated in the following graphs.

III-17 History of default rates per class



Since the curves by rating class are concentric, the two graphs above enable to conclude that the model is discriminant.

III-18 Consumer PD model for Germany at end-December 2017



The amber curve of calibrated PDs for the range of ratings under consideration is strictly above the actual default rate observed. The Consumer PD model for Germany is therefore adequately calibrated at the end of December 2017.

When external ratings are available (i.e. for the very big French corporations), a migration matrix between internal and external ratings is calculated for backtesting 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%).

III-19 CR9 - IRB approach – Backtesting of PD per exposure class

Exposure class	At the end of previous year (31/12/2016)		Number of obligors				
	Weighted average PD	Arithmetic average PD by obligors	End of previous year (31/12/2016)	End of the year (31/12/2017)	Default obligors in the year 2017	Of which new obligor	Average historical annual defaut rate
Retail individuals	1,07%	1,42%	1 934 687	2 186 539	20 405	1 383	1,19%
SME	3,65%	3,28%	138 804	154 511	3 261	293	2,75%
Large companies	1,74%	1,82%	1 558	1 761	10	1	0,49%
Dealers	1,94%	2,35%	2 061	1 988	16	1	1,69%

In accordance with RCI practice, the historical average captures maximum historical depth and is therefore not restricted solely to the last five years.

Across all exposure class, PDs are greater than the default rate. Moreover, thanks to the quarterly default probability, it enables to ensure our internal model performance: conservatism, discriminatory power and stability.

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

III-20 Segmentation of exposures by the advanced method and average LGD by country

Category of exposure	IRBA Countries	Population group segmentation	Type of model	Internal/External model	Average sound portfolio LGD at 31/12/2016	Average loss computed at last 2017 backtesting
Retail individuals **SME** **Large companies**	France	Credit	Statistical	Internal	43,89%	43,07%
		Leasing			41,27%	40,50%
	Germany	Credit	Statistical	Internal	24,41%	23,21%
		Leasing			38,89%	32,69%
	Spain	Credit VN	Statistical	Internal	42,50%	40,38%
		Credit VO			57,80%	47,47%
		Leasing			43,10%	35,40%
	Italy	Single segment	Statistical	Internal	50,64%	50,07%
	United Kingdom	Single segment	Statistical	Internal	46,61%	40,79%
	South Korea	Single segment	Statistical	Internal	54,70%	47,13%
Dealers	G5(*)	R1 VN	combined	internal	12,10%	1,10%
		R1 others			22,90%	2,30%
		R2			21,00%	6,80%

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

The LGDs are updated yearly to factor in the most recent information when estimating the parameter. The LGD backtesting tenet is to compare the long run average of loss rate and the LGD calibrated in the previous year. One concludes about the conservatism calibration since our LGD levels are systematically higher than the observed loss rate average.

The average loss given defaults on the sound portfolio is 42.1% for Retail Customers and 42.4% for the Corporate segment, the latter breaking down as 43% for non-Dealer companies and 16.9% for the Dealers.

Customer expected loss (EL) increased by 12.1% compared to December 2016 (+ €55.0 million), for the most part attributable to the Sound EL:

- Default EL (up by 1.5%): the variation is mainly attributable to the contained rise in the defaulted portfolio amount over the period (€348 million in December 2017 versus €344 million in December 2016) due to lower defaulting rates, a good general economic climate, control over amicable collection processes (arrears of less than 90 days), and finally sales of doubtful portfolios. The LGD on default portfolio improved slightly (by 7 bps), contributing to the limited increase in the default EL.
- Sound EL (up by 28.9%): the rise is mainly due to the sharp increase in Customer outstandings amid growing business for the Alliance brands, combined with increases in RCI penetration and in the average amount financed. At the same time, LGD slightly increased over the period (+71bps) while the increase in PD (+15bps) was related to the 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 probability of default determined at the time of granting to be updated monthly 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 team of the Risk Control Unit to ensure their adequacy and their regulatory compliance.

III-21 CR8 - RWA flow statements of credit risk exposures under the IRB approach

The purpose of this section is to depict the root cause of RWA variation by quarterly step.

In million of euros	RWA amounts	Capital requirements
RWA at the 30/06/2017	**13 432**	**1 075**
Asset size	719	57
Asset quality	-831	0
Model updates	0	0
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-7	0
Other	0	0
RWA at the 30/09/2017	**13 314**	**1 132**

A slight RWA decrease between June and September 2017 is observed due to asset quality enhancement even if the asset size growed up.

In million of euros	RWA amounts	Capital requirements
RWA at the 30/09/2017	**13 314**	**1 065**
Asset size	1 245	100
Asset quality	-658	0
Model updates	262	21
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-14	0
Other	0	0
RWA at the 31/12/2017	**14 148**	**1 186**

The upward variation in RWA between the final two quarters is attributable a/ to the increase in outstandings, which was greater than attrition and amortization of the advanced portfolio and b/ to an upward calibration. It should be noted that asset quality improved and exchange rate directions continued to limit the increase in RWA.

F - STANDARDIZED METHOD

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

In order to calculate the capital requirement for credit risk under the standardized method, RCI Banque uses Moody's, the external credit rating agency, for sovereigns, international organizations, and corporate establishments and investments. Reconciliation of these ratings with the credit quality steps provided for under the regulations complies with the supervisor's requirements. Beyond this framework, there is no use of any external rating that cannot be applied directly. As regards unrated exposures, the RCI Banque group applies the regulatory weightings in accordance with the CRR.

For hedge transactions, the values of counterparty credit risk exposures on interest-rate or forex derivatives are determined by the market price method, adding, to the current replacement cost, the potential future credit exposure based on the remaining term. Such transactions still concern countries not covered by EMIR regulations.

III-22 CR4 - Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects

In Millions of euros	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
Central governments or central banks	2 759	24	2 759	12	565	20,37%
Regional government or local authorities	38	6	38	3	8	20,15%
Public sector entities	17		17		17	100,00%
Multilateral development banks						
International organisations	67		67			
Institutions	1 186	17	1 186	4	280	23,49%
Corporates	5 244	512	5 091	400	5 408	98,48%
Retail	5 744	291	5 743	189	4 431	74,69%
Secured by mortgages on immovable property						
Exposures in default	83	2	66	2	86	125,54%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	40	57	40	11	24	46,97%
Collective investment undertakings						
Equity	176		176		400	227,39%
Other items	1 292	17	1 292	17	969	74,06%
Total	**16 644**	**926**	**16 476**	**638**	**12 187**	**71,21%**

CRM: Credit Risk Mitigation

CCF: Credit Conversion Factor

III-23 CR5 - Standardized 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					0		132		238		194					565	
Regional government or local authorities					8				0							8	8
Public sector entities									17							17	17
Multilateral development banks																	
International organisations																	
Institutions					211		67		2							280	207
Corporates					7		56		5 346	0						5 408	5 346
Retail								4 431								4 431	4 431
Secured by mortgages on immovable property																	
Exposures in default									33	52						86	85
Higher-risk categories																	
Covered bonds																	
Inst. and corporates with a ST credit assessment					8		0			16						24	16
Collective investment undertakings																	
Equity									26		373					400	400
Other items					85				885							969	969
Total					**319**		**255**	**4 431**	**6 547**	**68**	**568**					**12 187**	**11 478**

G - CREDIT RISK MITIGATION TECHNIQUES

The RCI Banque group does not use netting agreements to reduce the commercial 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 December 2017 and after application of the discount relating to the asymmetry of currencies, the impact on the value of €826m of exposures (corporate category only) totaled €695m.

With the standardized 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 default of its network of dealerships, for a total of €169m at the end of December 2017, reducing exposures to €22m for the corporate category, to €146m for SMEs, and to under €1m for retail customer companies. This protection is allocated individually to each exposure concerned.

III-24 CR7 - IRB – Effect on RWA of credit derivatives used as CRM techniques

In Millions of euros	Pre-credit derivatives RWA	Actual RWA
Exposures under FIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs		
Corporates – Specialised lending		
Corporates – Other	254	254
Exposures under AIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs	1 297	1 297
Corporates – Specialised lending		
Corporates – Other	3 428	3 428
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs		
Retail – Qualifying revolving		
Retail – Other SMEs	1 104	1 104
Retail – Other non-SMEs	8 065	8 065
Equity IRB		
Other non credit obligation assets		
Total	**14 148**	**14 148**

H - COUNTERPARTY CREDIT 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 Group 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 negotiates 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 31/12/2017, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €87 million.

EXPOSURE TO COUNTERPARTY CREDIT RISK

III-25 CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

In Millions of euros	Notional	Replacement cost/current market value	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market							
Original exposure							
Standardised approach		240				240	91
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
Total							**91**

III-26 CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights

In Millions of euros	Risk weight 0%	10%	20%	50%	75%	100%	150%	Others	Total	Of which unrated
Central governments or central banks										
Regional government or local authorities										
Public sector entities										
Multilateral development banks										
International organisations										
Institutions			20	52					72	14
Corporates			0	0		14	0		14	14
Retail										
Inst. and corporates with a ST credit assessment			4	0					4	
Other items										
Total			**24**	**52**		**14**	**0**		**91**	**28**

III-27 CCR5-A - Impact of netting and collateral held on exposure values

In Millions of euros	Gross FV or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	240	43	198	2	196
SFTs					
Cross-product netting					
Total	**240**	**43**	**198**	**2**	**196**

III-28 CCR5-B - Composition of collateral for exposures to CCR

In Millions of euros	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency			78	1		
Cash – other currencies		2	1			
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						10
Total		**2**	**79**	**1**		**10**

III-29 CCR8 - Exposures to CCPs

In Millions of euros	EAD (post-CRM)	RWA
Exposures to QCCPs (total)		**16**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	24	5
(i) of which OTC derivatives	*24*	*5*
(ii) of which Exchange-traded derivatives		
(iii) of which Securities financing transactions		
(iv) of which Netting sets where cross-product netting has been approved		
Segregated initial margin	55	
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)		
(i) of which OTC derivatives		
(ii) of which Exchange-traded derivatives		
(iii) of which Securities financing transactions		
(iv) of which Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

IV - CREDIT VALUATION ADJUSTMENT RISK

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

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

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

IV-1 CCR2 - Credit valuation adjustment (CVA) capital charge

In Millions of euros	**Exposure value**	**RWA**
Total portfolios subject to the Advanced CVA capital charge		
(i) VaR component (including the 3×multiplier)		
(ii) Stressed VaR component (including the 3×multiplier)		
All portfolios subject to the Standardised CVA capital charge	226	77
Based on the original exposure method		
Total subject to the CVA capital charge	**226**	**77**

V - SECURITIZATION

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

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

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

The group's securitization transactions all meet the economic capital retention requirement of not less than 5% mentioned in Article 405 of European Directive (EU) 575/2013.

The sales refinancing receivables retained in the balance sheet totaled €10,391m on 31 December 2017 (€9,768m on 31 December 2016), namely:

- for securitizations placed on the market: €971m
- for self-subscribed securitizations: €6,727m
- for private securitizations: €2,693m

The stock of securitized assets is itemized in Note 12 to the consolidated financial statements. At 31 December 2017, funding secured through private securitizations totaled €1,682m, and funding secured through public securitizations placed on the markets totaled €765m.

VI - MARKET RISK

A - THE MARKET RISK MANAGEMENT PRINCIPLE

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

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

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

B - GOVERNANCE AND ORGANIZATION

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

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

C - MEASUREMENT, MONITORING AND PRUDENTIAL TREATMENT

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

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

D - EXPOSURE

The sales financing entities are obliged to refinance themselves in their own currency and are thus not exposed to foreign exchange risk. RCI Banque's residual exposure on other assets and liability items (e.g. ICNE on loans in foreign currencies) is not material for RCI Banque. At 31 December 2017, the RCI Banque group's consolidated foreign exchange position totaled €8.3 million.

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

VII - INTEREST-RATE RISK FOR PORTFOLIO POSITIONS

A - ORGANIZATION OF INTEREST RATE RISK MANAGEMENT

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

B - GOVERNANCE AND ORGANIZATION

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

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

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

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

C - MEASUREMENT AND MONITORING

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

The indicator monitored internally, EV sensitivity (Economic Value), consists in measuring at a given point in time (t) the impact of a change in interest rates on the market price of an entity's balance sheet flows. The market price is determined by the discounting of future cash flows at the market rates at point t. This measurement is used to set the limits that apply to the group's entities.

In accordance with regulatory changes (EBA/GL/2015/08), RCI Banque also measures:

- 12-month sensitivity of the net interest income (NII - indicator framed by internal limits),
- Sensitivity of the net interest income (NII) over the whole of the balance sheet gap (indicator framed by internal limits),
- Sensitivity of the economic value of equity (EVE – indicator without allocated limits).

Different yield curve variation scenarios are considered, including different shocks of which:

- The shock of 100 bps, used for the management of internal limits,
- The standard shock of 200 bps, defined by regulatory guidelines,
- The shock following a 50 bps yield curve rotation around the 2-year point.

Calculations are based on average monthly asset and liability gaps (gap excluding interest amounts) which incorporate fixed-rate transactions and floating rate transactions until their next review date.

Maturities of outstanding are determined by taking into account the contractual characteristics of operations and the results of the modeling of historical customer behavior patterns (early repayment, etc.). Measurements of NII sensitivity also take into account an allocation of entity own funds to the financing of the longest term commercial assets.

Sensitivity is calculated daily per currency and per management entity (central financing office, French and foreign financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk Team, which reports to the Risk Management Division. The situation of each entity, with regard to its limit, is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate. The results of the controls are the subject of monthly reporting to the Financial Committee, which verifies due observance of the limits by the group's various entities, and of current procedures. Interest rate risk measurement indicators are presented quarterly to the Board of Directors' Risk Committee.

D - EXPOSURE

Over the year 2017, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group at €50m in the event of a uniform shock of 100 bps on the whole of the yield curve.

Breakdown by currency of the sensitivity to NII following a 100- bps rise in rates (in MEUR) at 31 December 2017:

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

At 31 December 2017, the sum of sensitivities in each currency totaled €1.6m, of which -€16.5m for the 12-month NII. The sum of the absolute values of sensitivities in each currency totaled €10.1m.

VII-1 IRRBB1 - Quantitative information on changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios

	Δ EVE		Δ NII 12 mois	
In millions of euros	**31/12/2017**	**31.12.2016**	**31/12/2017**	**31/12/2016**
Parallel up 200 bps	-368	-297	-43	-30
Parallel down 200 bps	342	272	33	20
Steepener	45	45		
Flattener	-103	-90		
Short rate up	-246	-209		
Short rate down	220	184		
Maximum (absolute values)	368	297	43	30
	31/12/2017		**31/12/2016**	
Prudential Tier 1 capital	**4 442**		**3 900**	

The calculations above have been carried out on the basis of assumptions standardized by the EBA. The difference recorded between an upward shock and a symmetrical downward shock is due to the longer pricing adjustment period in the first instance.

The impact of an adverse interest rate movement on the net interest margin for the next twelve months is low, in line with the company's prudent management objectives. It is as a result significant for the Economic Value of Equity or EVE, an indicator which by definition does not take own funds into account, unlike the daily operational asset-liability management of interest rate risk.

VIII - LIQUIDITY RISK

A - THE LIQUIDITY RISK MANAGEMENT PRINCIPLE

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

RCI Banque regularly strengthens its liquidity risk management process while complying with EBA recommendations. The Board of Directors and its Risks Committee approve the ILAAP ("Internal Liquidity Adequacy Assessment Process") and its procedural framework. These documents define the principles, standards and governance for liquidity risk management and the indicators and limits monitored within the RCI Banque group.

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

B - GOVERNANCE AND ORGANIZATION

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

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

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

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

C - MEASUREMENT AND MONITORING

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

Static liquidity

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

The liquidity reserve

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

Stress scenarios

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

D - REGULATORY RATIOS AND CHARGES ON ASSETS

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

Liquidity Coverage Ratio (LCR)

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

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

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

The bank’s average HQLA during the 12-month period ending on 31 December 2017 was €1,175m. It amounted to €1,068m on average during the 12-month period ending on 30 September 2017. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals, the average duration of the bond portfolio was close to 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 31 December 2017, EUR, GBP and BRL denominated HQLA represented on average 70%, 17% and 4% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on September 2017, which were 68%, 17% and 4% respectively.

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 mainly come from commercial and financial assets, while Outflows are mostly explained by debt repayment and the deposit run-off factor.

The liquidity requirement linked to derivative transactions is limited and represents non-material amounts.

The average LCR over the 12-month period ending on 31 December 2017 came at 183%, compared to 172% on average over the 12-month period ending on 30 September 2017.

VIII-1 LIQ1 - Liquidity Coverage Ratio (LCR)

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	**31/03/2017**	**30/06/2017**	**30/09/2017**	**31/12/2017**	**31/03/2017**	**30/06/2017**	**30/09/2017**	**31/12/2017**
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					**931**	**994**	**1 068**	**1 175**
Cash Outflows								
Retail deposits and deposits from small business customers	9 103	9 538	9 966	10 537	953	998	1 042	1 100
Stable deposits								
Less stable deposits	*9 103*	*9 538*	*9 966*	*10 537*	*953*	*998*	*1 042*	*1 100*
Unsecured wholesale funding	813	852	867	850	669	709	718	699
Operational deposits and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	*241*	*239*	*248*	*251*	*96*	*95*	*99*	*101*
Unsecured debt	*573*	*613*	*618*	*598*	*573*	*613*	*618*	*598*
Secured wholesale funding					35	46	55	60
Additional requirements	102	119	137	141	101	119	137	141
Outflows related to derivative exposures and other collateral requirements	*101*	*119*	*137*	*141*	*101*	*119*	*137*	*141*
Outflows related to loss of funding on debt products	*1*							
Credit and liquidity facilities								
Other contractual funding obligations	1 397	1 431	1 453	1 524	431	426	425	450
Other contingent funding obligations	2 182	2 257	2 345	2 429	109	113	117	121
Total Cash Outflows					**2 298**	**2 410**	**2 494**	**2 572**
Cash Inflows								
Secured lending (eg reverse repos)								
Inflows from fully performing exposures	4 075	4 160	4 240	4 239	2 331	2 388	2 427	2 431
Other cash inflows	848	1 389	1 734	2 057	448	561	627	701
(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	**4 923**	**5 549**	**5 974**	**6 296**	**2 779**	**2 949**	**3 054**	**3 132**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	*4 923*	*5 549*	*5 974*	*6 296*	*2 779*	*2 949*	*3 054*	*3 132*
Total HQLA					931	994	1 068	1 175
Total net Cash Outflows					575	603	623	643
Liquidity Coverage Ratio					**164%**	**165%**	**172%**	**183%**

(Un)encumbered assets

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

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

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

At 31 December 2017, assets encumbered in the form of disposals to a securitization vehicle or guarantee given totaled €7,831m, making up 16% of total assets. The ratio of guarantee-assigned assets is controlled by limits set by the Board of Directors' Risk Committee.

VIII-2 AE1 - Encumbered and unencumbered assets

In millions of euros	Carrying amount of encumbered assets	ow notionally elligible EHQLA and HQLA	Fair value of encumbered assets	ow notionally elligible EHQLA and HQLA	Carrying amount of unencumbered assets	ow notionally elligible EHQLA and HQLA	Fair value of unencumbered assets	ow notionally elligible EHQLA and HQLA
Assets of the reporting institution	**7 831**				**39 169**	**1 565**		**1 565**
Loans on demand	492				1 556	781		781
Equity instruments					785	151	785	151
Debt securities	128		128		807	632	807	632
ow: covered bonds								
ow: asset-backed securities								
ow: issued by general governments	*46*		*46*		*570*	515	*570*	*515*
ow: issued by financial corporations	*27*		*27*		*39*		*39*	
ow: issued by non-financial corporations	*53*		*53*		*69*		*69*	
Loans and advances other than loans on demand	7 135				33 659			
Other assets	75				2 362			

VIII-3 AE2 - Collateral received

In millions of euros	FV of encumbered collateral received or own debt securities issued	ow notionally elligible EHQLA and HQLA	FV of collateral received or own debt securities issued available for encumbrance	ow notionally elligible EHQLA and HQLA
Collateral received by the reporting institution			**866**	
Loans on demand			865	
Equity instruments				
Debt securities				
ow: covered bonds				
ow: asset-backed securities				
ow: issued by general governments				
ow: issued by financial corporations				
ow: issued by non-financial corporations				
Loans and advances other than loans on demand				
Other assets			1	
Own debt securities issued other than own covered bonds or ABSs				
Own covered bonds and asset-backed securities issued and not yet pledged				
Total assets, collateral received and own debt securities issued	**7 861**			

Collateral received reported as “on demand” as the guarantee can be activated immediately after default.

VIII-4 AE3 - Encumbered assets/collateral received and associated liabilities

In millions of euros	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**5 217**	**7 885**
Derivatives	26	75
Deposits	2 499	3 361
Debt securities issued	2 691	4 448
Other sources of encumbrance		

IX - OPERATIONAL AND NON-COMPLIANCE RISKS

A - OPERATIONAL AND NON-COMPLIANCE RISK MANAGEMENT

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

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

- The mapping of operational risks, deployed in all consolidated subsidiaries of the RCI Banque group, helps to identifies operational risks and the management rules whereby processes are kept under control. It is updated annually by the business line departments who ensure its consistency with the mapping of the Group's key risks. Process owners check operation compliance with the management rules described in procedures, self-assess the level of control over risks and define action plans where relevant.
- The incidents database identifies data relating to operational risk incidents in order to put in place the necessary corrective and preventive measures and produce regulatory, control and management reports. The system sets thresholds requiring immediate reporting of certain incidents to the Executive Committee, the Board of Directors, the Renault Group Ethics and Compliance Committee and the European Central Bank's Joint Supervisory Team.
- Key risk indicators are used to anticipate the occurrence of certain critical operational risks. These indicators are defined for "Business and Consumer Customer", "Dealer lending", "refinancing", "accounting" and "IT" processes.

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

Four classes of risk are presented hereafter: legal and contractual risks, tax risks, IT risks and reputational risks.

LEGAL AND CONTRACTUAL RISKS

Risk factors

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

Management principles and processes

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

TAX RISKS

Risk factors

Through its international exposure, the RCI Banque group is subject to numerous sets of national tax laws, all of which are liable to amendment and uncertainties in interpretation that might affect its operations, financial position and earnings.

Management principles and processes

The RCI Banque has put in place a monitoring system designed to list and address all tax issues affecting it.

Any tax disputes with which RCI Banque may be faced as a result of tax inspections are closely monitored and where appropriate, provisions are booked to cover the estimated risk.

IT RISKS

Risk factors

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

RCI Banque's IT systems, through their governance, security policy, technical architectures and processes, play a part in the fight against IT-related risks (infrastructures, cybercrime, etc.).

Oversight of RCI IS risks takes into account good management of and control over potential major IS risks: governance, business continuity, IT security, change management, data integrity and data processing.

Management principles and processes

These risks are managed and controlled by:

- The level of protection of the Renault group IT network;
- Daily coordination, monitoring and management of the Renault Group "Information Management and Control Policy";
- Awareness-raising and training on security (e-learning, communications, etc.)
- Actions, support and controls carried out by RCI's IS Security Officer, who is underpinned by a network of IT Security Correspondents in each subsidiary's IT division,
- A group IS policy, and an overall control process for IT security (information security management system);
- An increasingly stringent policy of intrusion testing and supervision
- Testing of RCI subsidiaries' business recovery plans (BRP).

Focus on IT security

RCI Banque implements the Renault Group IS Security policy, also factoring in banking requirements, and placing particular emphasis on access control for its applications, protection of personal and sensitive data and business continuity.
As part of the RCI Banque group's emergency and business continuity plan, IS business resumption plans are operational for all of its deployed and local applications. They are tested at least once a year.

Users of the information system are contractually bound to observe the rules of use of the IT tool. RCI Banque ensures it preserves the same level of protection when developing new lines of business (electric vehicles, deployment in new territories).

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

REPUTATION RISKS

Risk factors

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

Management principles and processes

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

B - MEASUREMENT OF OPERATIONAL RISKS AND MONITORING PROCESS

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

C - EXPOSURE TO THE RISK AND CALCULATION OF REQUIREMENTS

Operational risk is treated by the standardized method.

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

IX-1 Operational risk

In Millions of euros	Commercial Banking	Retail Banking	Total
3 years average NBI - other operating expenses excluded	972	904	1 876
Value at risk in standardized method	1 822	1 356	3 178
Own funds requirements	**146**	**108**	**254**

D - INSURANCE OF OPERATIONAL RISKS

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTION

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

The risk prevention policy is characterized by:

• Installation of efficient safety systems;

• Staff training (awareness of their role in prevention of damage to property);

• Installation of backups in the event of business interruption, as group production is highly dependent on the serviceability of its computer systems.

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

THIRD-PARTY LIABILITY

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

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

- One contract covers the third-party liability after delivery and/or errors and omissions liability of the Diac and Diac Location subsidiaries, more particularly concerning long-term rental and car fleet management services;
- One contract insures the Diac and Diac Location subsidiaries against the financial consequences of any third-party liability they may incur as owner or lessor of motor vehicles and equipment by virtue of the activities covered by this contract, namely lease purchasing, leasing with purchase option and long-term leasing, on the understanding that this contract is a second Tier insurance policy that is invoked if the lessee's insurance defaults;

- In matters of insurance intermediation (insurance contracts offered as a supplement to financing and rental products), RCI Banque and the Diac and Diac Location subsidiaries are insured with specific Errors & Omission liability contracts together with a financial guarantee in accordance with Articles L.512-6, L.512-7, R.512-14 and A.512-4 of the Insurance Code, regulations resulting from the French law of 15 December 2005 transposing the European directive of 9 December 2002.

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

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

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

The program covers the following two areas:

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

X - OTHER RISKS

A - RESIDUAL VALUES RISK

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

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

X-1 Breakdown of residual values risk carried by the RCI Banque group

In millions of euros	Residual values						Provision for residual values					
	2017	2016	2015	2014	2013	2012	2017	2016	2015	2014	2013	2012
Corporate segment:	**263**	**247**	**123**	**28**	**0**	**3**	**26**	**12**	**4**	**1**	**0**	**0**
France	0	0	0	0	0	0	0	0	0	0	0	0
European Union (excluding France)	256	237	117	28	0	3	26	12	4	1	0	0
Europe excluding European union	-	-	-	-	-	-	-	-	-	-	-	-
Retail segment :	**1 718**	**1 652**	**1 525**	**884**	**569**	**460**	**41**	**24**	**11**	**4**	**2**	**2**
European Union (excluding France)	1 682	1 626	1 501	884	569	460	38	22	8	4	2	2
Total risks on residual values	**1 981**	**1 899**	**1 649**	**912**	**569**	**463**	**67**	**36**	**15**	**6**	**2**	**3**

X-2 Residual values risk not carried by the RCI Banque group

	Residual Values				
In millions euros	2017	2016	2015	2014	2013
Corporate and Retail segments :					
Commitments receveid from the Renault Groupe	3 502	2 943	2 343	1 908	1 472
Commitments Receveid from others (Dealers and Customers)	2 954	2 128	1 575	1 321	1 720
Total risks on residual values	**6 456**	**5 071**	**3 918**	**3 229**	**3 192**

B - INSURANCE RISK

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

Reserves are calibrated statistically to cover expected losses. During financial year 2017, variations in the actuarial reserves of our life and non-life insurance companies represented €47m for €325 of written premiums. Exposure to the risks is limited in other respects by diversification of the insurance and reinsurance contracts portfolio and of that of underwritten geographical areas. The group makes a strict selection of contracts, has underwriting guides and uses reinsurance agreements.

C - RISKS RELATING TO COMMERCIAL DEPLOYMENT

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

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

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

D - RISK RELATING TO SHARES

The RCI Banque group's exposures to shares not held for trading purposes represent equity interests in commercial entities that are controlled but not consolidated, measured at historical cost and weighted at 100%. They totaled €17m at the end of December 2017, the €9m increase being attributable to the acquisition of Class & Co SAS.

CROSS-REFERENCE TABLE

CRD IV	Purpose	Consistency
Article 90	Public disclosure of return on assets	Introduction

CRR	Purpose	Consistency
Article 431	Scope of disclosure requirements	Introduction
Article 432	Non-material, proprietary or confidential information	Introduction
Article 433	Frequency of disclosure	Introduction
Article 435	Risk management objectives and policies	
1a		Part I-A
1b		Part I-B
1c		Part I-A+C
1d		Part III-B+G + IV + IX-D
1e		Part I-A
1f		Part I-C
2a-d		Part I-B
2e		Part I-A+B+C
Article 436	Scope of application	
a-b		Part II-A
c		Part II-B
d		Part II-A
e		Part II-B
Article 437	Own funds	
1a-e		Part II-C
1f		NA own funds determined on the CRR basis only
Article 438	Capital requirements	
a		Part II-E
b		NA no supervisory requirement
c-d		Part III-D
e		NA no capital required for market risk
f		Part II-D
Article 439	Exposure to counterparty credit risk	
a-d		Part III-H
e-f		Part IV
g-i		NA credit derivative hedges not used
Article 440	Capital buffers	Part II-B
Article 441	Indicators of global systemic importance	Part II-B
Article 442	Credit risk adjustments	Part III-A
Article 443	Unencumbered assets	Part VIII-D
Article 444	Use of ECAIs	Part III-F

Article 445	Exposure to market risk	Part VI
Article 446	Operational risk	Part IX-C
Article 447	Exposures in equities not included in the trading book	
a-b		Part X-D
c-e		NA no exchange-traded exposure
Article 448	Exposure to interest rate risk on positions not included in the trading book	Part VII
Article 449	Exposure to securitization positions	Part V
Article 450	Remuneration policy	Part I-E
Article 451	Leverage	
1a-c		Part II-F
1d-e		Part II-G
Article 452	Use of the IRB Approach to credit risk	
a		Part III-E
b. i		Part III-E (d-iii)
b. ii		Part III-E (a+f)
b. iii		Part III-G
b. iv		Part III-E (g)
c		Part III-E (d+e)
d-f		Part III-E (c)
g-h		Part III-E (e)
i-j		Part III-E (d+e)
Article 453	Use of credit risk mitigation techniques	Part III-G
Article 454	Use of the Advanced Measurement Approaches to operational risk	NA Advanced Measurement Approaches not used
Article 455	Use of Internal Market Risk Models	NA internal models not used
Article 492	Disclosure of own funds	Part II-C

TABLES

PART	REF	Title
Intro		Key figures and ROA
I-B		Positions held by the members of the Board of Directors
II-A	LI1	LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
II-A	LI2	LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
II-A	LI3	LI3 - Outline of the differences in the scopes of consolidation (entity by entity)
II-B	CCC1	CCC1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
II-B	CCC2	CCC2 - Amount of institution-specific countercyclical capital buffer
II-C		Main characteristics of equity instruments
II-C	FP1	FP1 - Breakdown of regulatory capital by category
II-D	OV1	OV1- Overview of RWA
II-F	LRSum	LRSum - Summary reconciliation of accounting assets and leverage ratio exposures
II-F	LRCom	LRCom - Leverage ratio
II-F	LRSpl	LRSpl - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
II-F	LRQua	LRQua - Statement of qualitative elements
III-A	CR3	CR3 - Credit risk mitigation techniques – overview
III-A	CRB-B	CRB-B - Total and average net amount of exposures
III-A	CRB-C	CRB-C - Geographical breakdown of exposures
III-A	CRB-D	CRB-D - Concentration of exposures by industry or counterparty types
III-A	CRB-E	CRB-E - Maturity of exposures
III-A	CR1-A	CR1-A - Credit quality of exposures by exposure class and instrument
III-A	CR1-B	CR1-B - Credit quality of exposures by industry or counterparty types
III-A	CR1-C	CR1-C - Credit quality of exposures by geographical area
III-A	CR1-D	CR1-D - Ageing of past-due exposures
III-A	CR1-E	CR1-E - Non-performing and forborne exposures
III-A	CR2-A	CR2-A - Changes in the stock of general and specific credit risk adjustments
III-A	CR2-B	CR2-B - Changes in the stock of defaulted and impaired loans and debt securities

III-E-c	CR6	CR6 IRB approach – Credit risk exposures by portfolio and PD range
III-E-d		Segmentation of exposures by the advanced method and average PD by country
III-E-d		History of default rates per class
III-E-d		The Consumer PD model for Germany end December 2017
III-E-d	CR9	CR9 - IRB approach – Backtesting of PD per exposure class
III-E-e		Segmentation of exposures by the advanced method and average LGD by country
III-E-g	CR8	CR8 - RWA flow statements of credit risk exposures under the IRB approach
III-F	CR4	CR4 - Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects
III-F	CR5	CR5 - Standardized approach – Exposures by asset classes and risk weights
III-G	CR7	CR7 - IRB – Effect on RWA of credit derivatives used as CRM techniques
III-H	CCR1	CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach
III-H	CCR3	CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights
III-H	CCR5-A	CCR5-A - Impact of netting and collateral held on exposure values
III-H	CCR5-B	CCR5-B - Composition of collateral for exposures to CCR
III-H	CCR8	CCR8 - Exposures to CCPs
IV	CCR2	CCR2 - Credit valuation adjustment (CVA) capital charge
VII-D	IRRBB1	IRRBB1 - Quantitative information on changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios
VIII-D	LIQ1	LIQ1 - Liquidity Coverage Ratio (LCR)
VIII-D	AE1	AE1 - Encumbered and unencumbered assets
VIII-D	AE2	AE2 - Collateral received
VIII-D	AE3	AE3 - Encumbered assets/collateral received and associated liabilities
IX-C		Operational risk
X-A		Breakdown of residual values risk carried by the RCI Banque group
X-A		Residual values risk not carried by the RCI Banque group