# RCI BANQUE

# RISKS – PILLAR III

## Update at 30 June 2020

# 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 and 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 Chief Risk Officer. The information contained in this report has been prepared in accordance with the Pillar III disclosure procedure validated by RCI Banque's Regulatory Committee.

# I - SUMMARY OF RISKS

## 1- KEY FIGURES

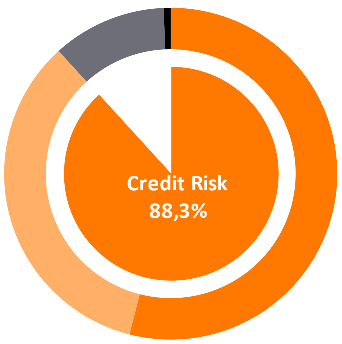
### Key figures and ROA

| **Prudential Ratios** | |
|---|---|
| CET1 Solvency Ratio (1) | 15.67% |
| Leverage Ratio | 9.33% |
| LCR - Aryhmetic Average of the past three months | 481% |

| | |
|---|---|
| **Return on assets (2)** | 1.4% |

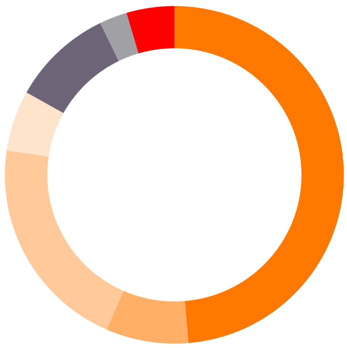
### Own funds requirements by type of risk

- Credit Risk - Internal Ratings Based Approach 54.0%
- Credit Risk - Standard Approach 34.3%
- Operational Risk 11.1%
- Credit Valuation Adjustment Risk 0.7%
- Market Risk 0.0%




### Exposure by exposure class

- Retail 48.7%
- Retail SME 7.9%
- Corporates 20.8%
- Corporates SME 5.8%
- Central Governments or Central Banks 9.7%
- Institutions 2.6%
- Equity 0.0%
- Other non-credit obligation assets 4.6%



1 Solvency Ratio including interim profits net of provisional dividends for the first half-year 2020, subject to regulator's approval in accordance with Article 26(2) of Regulation (EU) No 575/2013.
2 Return on assets calculated by dividing net profit by the balance sheet total (CRD IV, Article 90).

# 2- CONTEXT

The progressive development, since the end of December 2019, of the COVID-19 coronavirus disease worldwide has resulted in significant health threats in certain countries where the Group operates and is accompanied by the gradual implementation of public measures, in different countries and at their borders. This situation may have disturbed, or even prevented, the opening of automotive distribution networks in schedules. Automotive sales may have been negatively impacted with potential consequences on automotive related financing and services.

These elements could, in the current state of visibility and analysis and depending on their persistence, mainly lead to impacts on the health and availability of Group personnel, as well as on financial performance (average performing assets, cost of risk, cost of funds). The Group is fully mobilized, in particular through a comprehensive crisis management system, in order to protect the health of its employees, in close relationship with public authorities, preserve its assets and its ability to operate, adapt to changes in the situation, and anticipate, by appropriate measures, the return to a more normative context for its personnel, its activities and commercial demand.

The outbreak of COVID-19 will have a negative impact to varying degrees in different geographic areas. However, as the COVID-19 pandemic is still ongoing and the duration of the economic crisis that will follow remains uncertain, the Group is unable to fully appraise the subsequent impact in risks at this stage.

# 3- RISK FACTORS

The identification and monitoring of risks is an integral part of RCI Banque's approach to risk management. This approach may be observed through risk-weighted asset levels, but also through other indicators, work and analyses conducted by the Group's steering and risks functions.

In light of the diversity of the Group's business, the management of risks is built around the following major risk types.

- **Interest rate risks and foreign exchange risks**: risk of a drop-in interest rate margin or in the value of the banking portfolio owing to a change in interest rates or foreign exchange rates.
- **Liquidity and funding cost risk**: liquidity risk occurs when RCI Banque is unable to honor its commitments or cannot finance the development of its business in line with its commercial objectives. Funding cost risk corresponds to the risk of RCI Banque not being in a position to finance its activities at a cost that is competitive.
- **Credit risk (Retail customers and Dealer networks)**: risk of losses resulting from customers' inability to meet their financial commitments.
- **Residual value risk**: risk to which the Group is exposed as a result of the depreciation in the net resale value of a vehicle at the end of the financing contract (value below initial estimate).
- **Strategic risk**: risk resulting from the Group's inability to implement its strategy and achieve its medium-term plan.
- **Concentration risk**: risk resulting from a concentration in RCI Banque's exposures (countries, sectors, debtors).
- **Operational risks**: risk of losses or sanctions resulting from ineffective or inadequate internal processes involving staff and/or IT systems (IT risks), or external events, whether deliberate, accidental or natural (Business interruption).
- **Non-compliance risks**: risk of legal, administrative or disciplinary sanctions, of significant financial loss or reputational damage, arising due to non-compliance with provisions specific to banking and financial activities (laws and regulations in force, ethics codes, national, European and international banking regulations). These risks include legal and conduct risks, tax risks, risks relating to money-laundering and the financing of terrorism (AML-CFT), risks associated with the protection of personal data, and risks of non-compliance with banking regulations.
- **Model risk**: risk associated with a failure in the models used by the Group in the course of its business. This notably relates to the use of inadequate price calculation, revaluation, hedging or risk management models. Failure of such models may be due to either the quality of the data used, the modeling technique or the implementation or use thereof.

The various risk types presented above are those identified at this time as being the most significant and typical for RCI Banque, and the materialization of which could have a major adverse effect on its operations, financial position, and/or performance. This is not an exhaustive list of the risks undertaken by the Group as part of its activities or in consideration of its environment.

# II - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

## A - 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 is 18.13% at 30 June 2020 (of which Core Tier one at 15.67%) against 16.87% published at 31 December 2019 (of which Core Tier One at 14.41%). Following the COVID-19 crisis and in line with the ECB recommendations published on the 27th of March 2020, RCI Banque group has not distributed in 2020 the remaining €300M dividends relative to the 2019 financial year results, thus increasing December 2019 solvency ratio to 17.73% (of which Core Tier One at 15.27%).

These ratios include interim profits at the end of June 2020, net of the share of the annual dividend that RCI Banque is planning to pay to its shareholder, in accordance with Article 26.2 of the CRR and the conditions of Decision ECB 2015/4. The Trim related headwinds are globally in line with expectations disclosed in February 2020 and compensated by activation of CRR options (netting of deferred taxes, Credit Conversion Factor).

Compared to December 2019, the increase in the solvency ratio is due to an increase in regulatory own funds of €424M. Weighted risks have slightly decreased by -€94M.

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-June 2020, RCI Banque must apply the following capital buffers:

- A capital conservation buffer of 2.5% of total risk-weighted exposures;
- A countercyclical capital buffer applied to some countries as described in CCC1 table below.

***Notification by the ECB of the Supervisory Review and Evaluation Process (SREP) decision***

At the end of 2019, the European Central Bank has notified to RCI Banque its decision regarding the level of additional capital requirement under Pillar 2 (P2R - "Pillar 2 Requirement"). It is set for 2020 at 2%, applicable from 1st January 2020.

***Minimum requirement for own funds and eligible liabilities (MREL)***

RCI Banque has received the notification from the Single Resolution Board (SRB) of its binding minimum requirement for own funds and eligible liabilities (MREL). This MREL requirement has been set at 7.35% of the total liabilities and own funds (TLOF). This is equivalent to 12.27% of RCI Banque's risk weighted assets (RWA) and has been calibrated based on 2017 Overall Capital Requirement. RCI Banque complies with this MREL requirement. Future requirements will be subject to ongoing review.

## -1 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 | 145 | | | | | | 10 | | | 10 | 0,00 | |
| Austria | 640 | | | | | | 40 | | | 40 | 0,02 | |
| Belgium | 321 | | | | | | 25 | | | 25 | 0,01 | |
| Brazil | 1 736 | | | | | | 116 | | | 116 | 0,05 | |
| Swiss | 789 | | | | | | 48 | | | 48 | 0,02 | |
| Czech Republic | 194 | | | | | | 12 | | | 12 | 0,00 | 1,00% |
| Germany | 585 | 8 098 | | | | | 254 | | | 254 | 0,11 | |
| Spain | 393 | 4 235 | | | | | 203 | | | 203 | 0,08 | |
| France | 1 965 | 15 059 | | | | | 780 | | | 780 | 0,33 | |
| Great-Britain | 616 | 3 989 | | | | | 223 | | | 223 | 0,09 | |
| Hungary | 40 | | | | | | 3 | | | 3 | 0,00 | |
| Ireland | 419 | | | | | | 26 | | | 26 | 0,01 | |
| India | 32 | | | | | | 6 | | | 6 | 0,00 | |
| Italy | 752 | 5 411 | | | | | 279 | | | 279 | 0,12 | |
| South Korea | 67 | 1 637 | | | | | 62 | | | 62 | 0,03 | |
| Luxembourg | 69 | | | | | | 6 | | | 6 | 0,00 | 0,25% |
| Morocco | 547 | | | | | | 34 | | | 34 | 0,01 | |
| Malta | 106 | | | | | | 21 | | | 21 | 0,01 | |
| Netherlands | 753 | | | | | | 59 | | | 59 | 0,02 | |
| Norway | 2 | | | | | | | | | | | 1,00% |
| Poland | 762 | | | | | | 48 | | | 48 | 0,02 | |
| Portugal | 784 | | | | | | 55 | | | 55 | 0,02 | |
| Romania | 328 | | | | | | 19 | | | 19 | 0,01 | |
| Sweden | 135 | | | | | | 11 | | | 11 | 0,00 | |
| Slovenia | 263 | | | | | | 17 | | | 17 | 0,01 | |
| Slovakia | 31 | | | | | | 3 | | | 3 | 0,00 | 1,50% |
| Turkey | 144 | | | | | | 9 | | | 9 | 0,00 | |
| Colombia | 519 | | | | | | 33 | | | 33 | 0,01 | |
| Other countries | 1 | | | | | | | | | | | |
| **Total all countries** | **13 136** | **38 429** | | | | | **2 398** | | | **2 398** | **1,00** | **0,01%** |

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.

## III-2 CCC2 - Amount of institution-specific countercyclical capital buffer

| In Millions of euros | Amounts |
|---|---|
| Total risk exposure amount | 34 822 |
| Institution specific countercyclical buffer rate | 0.01% |
| Institution specific countercyclical buffer requirement | 2 |

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

## B - 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;
- Deduction of deferred tax assets dependent on future profits linked to unused deficits netted by the corresponding deferred tax liabilities;
- Intangible assets and consolidated goodwill;
- Prudential valuation adjustments (PVA). Total assets & liabilities valued at fair value represent less than €15 billion, therefore RCI applies the simplified method to calculate this additional adjustment to own equity;
- Irrevocable payment commitments and certificates of association pledged to Single Resolution Funds and Deposit Guarantee and Resolution Funds.

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.

No phase-ins are applied in 2020.

RCI Banque's CET1 core capital represents 86% of total prudential capital.

Category 1 capital increased by €424M compared to 31 December 2019, at €5,456M by the end of June 2020. The amount of €5,032 published in the Pillar 3 report of December 2019, was adjusted by the planned €300M eventually not distributed in line with the ECB recommendation published on the 27th of March 2020 on the distribution dividend policies in the context of the COVID-19 crisis. RCI Banque has included the interim result as of end of June 2020, net of the dividends that RCI Banque planned to pay to its shareholder[1].

[1] Subject to regulator's approval in accordance with Article 26(2) of Regulation (EU) No 575/2013 and the evolution of the COVID-19 crisis

## 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 Participation Certificates (Titres Participatifs) in this category as well as €850 million subordinated securities issued in November 2019.

## II-3 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. |

| Features | Relevant information |
|---|---|
| Issuer | RCI Banque S.A. |
| Unique identifier | FR0013459765 |
| 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 | 850 M€ |
| Nominal amount of instrument | 100 000 € |
| Accounting classification | Subordinated debt |
| Original date of issuance | November 18, 2019 |
| Perpetual or dated | February 18, 2030 |
| Issuer call option | Call option at February 18, 2025 |
| Fixed or floating dividend/coupon | Fixed coupon |
| Coupon rate and any related index | 2.625% |
| Existence of step up or other incentive to redeem | If the call option is not exercised, the coupon rate is adjusted to a 5-Year Mid-Swap Rate of + 2.85% |
| 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. Subordinated bonds 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.

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

## II-4 FP1 - Breakdown of regulatory capital by category

| In millions of euros | Amount at disclosure date | Regulation (EU) no 575/2013 reference | 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 | 2 466 | 26 (1) (c) | |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 2 211 | 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) | | 84, 479, 480 | |
| Independently reviewed interim profits net of any fore- seeable charge or dividend | 140 | 26 (2) | |
| **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **5 632** | | |

| In millions of euros | Amount at disclosure date | Regulation (EU) no 575/2013 reference | 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 (-) | -54 | 34, 105 | |
| Intangible assets (net of related tax liability) (-) | -85 | 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) (-) | -8 | 36 (1) (c), 38, 472 (5) | |
| Fair value reserves related to gains or losses on cash flow hedges | 28 | 33 (a) | |
| Negative amounts resulting from the calculation of expected loss amounts | -62 | 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) (-) | | 36-1,43,45,47,48-1,49,79,470,472-11 | |
| 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 | | 481 | |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution (-) | | 36 (1) (j) | |
| **Total regulatory adjustments to Common equity Tier 1 (CET1)** | **-176** | | |
| **Common Equity Tier 1 (CET1) capital** | **5 456** | | |

| In millions of euros | Amount at disclosure date | Regulation (EU) no 575/2013 reference | Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013 |
|---|---|---|---|
| **Additional Tier 1 (AT1) capital: instruments** | | | |
| Capital instruments and the related share premium accounts | | 51, 52 | |
| *of which: classified as equity under applicable accounting standards* | | | |
| *of which: classified as liabilities under applicable accounting standards* | | | |
| Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | | 486 (3) | |
| Public sector capital injections grandfathered until 1 January 2018 | | 483 (3) | |
| Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | | 85, 86, 480 | |
| *of which: instruments issued by subsidiaries subject to phase out* | | *486 (3)* | |
| **Additional Tier 1 (AT1) capital before regulatory adjustments** | | | |

| | | | |
|---|---|---|---|
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | |
| Direct and indirect holdings by an institution of own ATI Instruments (-) | | 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)** | **5 456** | | |

| In millions of euros | Amount at disclosure date | Regulation (EU) no 575/2013 reference | 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 | 857 | 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** | **857** | | |
| **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 eligible short positions) (-) | | 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 Regulation (EU) No 575/2013 (i.e. CRR residual amounts) | | | |
| Residual amounts deducted from Tier 2 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 Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (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** | **857** | | |
| **Total capital (TC = T1 + T2)** | **6 313** | | |

| In millions of euros | Amount at disclosure date | Regulation (EU) no 575/2013 reference | 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** | **34 822** | | |

| Capital ratios and buffers | | | |
|---|---|---|---|
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 15.67% | 92 (2) (a), 465 | |
| Tier 1 (as a percentage of risk exposure amount) | 15.67% | 92 (2) (b), 465 | |
| Total capital (as a percentage of risk exposure amount) | 18.13% | 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) | 2.51% | CRD 128, 129, 130 | |
| *of which: capital conservation buffer requirement* | *2.50%* | | |
| *of which: countercyclical buffer requirement* | *0.01%* | | |
| *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) | 11.17% | 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) | | 36-1,45,46,472-10,56,59,60,475-4.66.69.70.477-4 | |
| Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (< 10% threshold and net of eligible short positions) | | 36 (1) (i), 45, 48, 470, 472 (11) | |
| Empty Set in the EU | | | |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) | | 36 (1) ( c), 38, 48, 470, 472 (5) | |

| Applicable caps on the inclusion of provisions in Tier 2 | | | |
|---|---|---|---|
| Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap) | | 62 | |
| Cap on inclusion of credit risk adjustments in T2 under standardised approach | 149 | 62 | |
| Credit risk adjustments included in T2 in respect of exposures subject to internai ratings-based approach (prior to the application of the cap) | | 62 | |
| Cap for inclusion of credit risk adjustments in T2 under internai ratings-based approach | 113 | 62 | |

| In millions of euros | Amount at disclosure date | Regulation (EU) no 575/2013 reference | 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) | |

## C - 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.

RCI Banque does not own any non-consolidated financial institution with an actual amount of capital less than its capital requirement.

## II-5 OV1- Overview of RWA

| **In Millions of euros** | **RWA** | | **Min. capital requirements** |
|---|---|---|---|
| | **06/2020** | **03/2020** | **06/2020** |
| Credit risk (excluding CCR) | 29 825 | 30 613 | 2 386 |
| *Of which the standardised approach* | *11 025* | *11 553* | *882* |
| *Of which the foundation IRB (FIRB) approach* | *29* | *92* | *2* |
| *Of which the advanced IRB (AIRB) approach* | *18 770* | *18 968* | *1 502* |
| *Of which equity IRB under the simple RWA or the IMA* | | | |
| Counterparty Credit Risk | 311 | 332 | 25 |
| *Of which mark to market* | | | |
| *Of which original exposure* | | | |
| *Of which the standardised approach* | *74* | *91* | *6* |
| *Of which internal model method (IMM)* | | | |
| *Of which REA for contributions to the default fund of a CCP* | | | |
| *Of which Credit Valuation Adjustment* | *237* | *241* | *19* |
| 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 | 3 854 | 3 854 | 308 |
| *Of which basic indicator approach* | | | |
| *Of which standardised approach* | *3 854* | *3 854* | *308* |
| *Of which advanced measurement approach* | | | |
| Amounts below the thresholds for deduction (subject to 250% RW) | 832 | 754 | 67 |
| Floor adjustment | | | |
| **Total** | **34 822** | **35 553** | **2 786** |

## D - 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.

## E - 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 9.33% at 30 June 2020.

## II-6 LRSum - Summary reconciliation of accounting assets and leverage ratio exposures

**In millions of euros**

| | |
|---|---|
| **Total assets as per published financial statements** | **57 286** |
| Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | -239 |
| Adjustments for derivative financial instruments | 179 |
| Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 1 613 |
| Other adjustments | -371 |
| **Leverage ratio total exposure measure** | **58 468** |

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

## II-7 LRCom - Leverage ratio

**In millions of euros**

| | |
|---|---|
| **On-balance sheet exposures** | |
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 56 586 |
| Asset amounts deducted in determining Tier 1 capital | -124 |
| **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)** | **56 462** |
| **Derivative exposures** | |
| Replacement cost associated with all derivatives transactions (net of eligible cash variation margin) | 394 |
| **Total derivatives exposures** | **394** |
| **Other off-balance sheet exposures** | |
| Off-balance sheet exposures at gross notional amount | 3 293 |
| Adjustments for conversion to credit equivalent amounts | -1 680 |
| **Total other off-balance sheet exposures** | **1 613** |
| **Capital and total exposure mesure** | |
| Tier 1 capital | 5 456 |
| Leverage ratio total exposure measure | 58 468 |
| **Leverage ratio** | **9.33%** |

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

## II-8 LRSpl - Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

| | |
|---|---|
| **Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)** | **56 586** |
| Trading book exposures | |
| Banking book exposures, of which: | 56 586 |
| *Exposures treated as sovereigns* | *5 671* |
| *Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns* | *49* |
| *Institutions* | *1 478* |
| *Retail exposures* | *32 374* |
| *Corporate* | *14 568* |
| *Exposures in default* | *262* |
| *Other exposures (eg equity, securitisations, and other non-credit obligation assets)* | *2 184* |

## II9 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 9.33% at the end of June 2020 against 8.40% at the end of December 2019. It should be noted that, in line with the recommendations of the European Central Bank of March 27, 2020 due to the COVID-19 crisis, RCI Banque did not pay in 2020 the additional dividend of €300 million in respect of 2019 results, thus increasing the leverage ratio for December 2019 to 8.90%. The ratio improves under the combination of an increased Tier I capital and a decrease of the total exposure measure, linked to the slowdown of the activity during Covid-19 crisis. |

## F - 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 of 5% that the group has set, higher than the minimum of 3% recommended by the Basel Committee.

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

# III - CREDIT RISK

## A - EXPOSURE TO THE CREDIT RISK

The Exposure at Default (EAD) includes both balance sheet and off-balance sheet credit exposures. Moreover, the prudential scope is different from the accounting scope of consolidation. The credit exposure values in the above table are thus different from those in Note 17 to the consolidated financial statements concerning financial assets by remainder of the term.
RCI Banque uses three risk-classification levels for receivables and writes them down on an individual or collective basis. The valuation presentation and principles are described in part A of the notes to the consolidated financial statements.

These classification levels are:

- Bucket 1: no deterioration or insignificant deterioration in credit risk from origination;
- Bucket 2: significant deterioration of credit risk from origination or non investment grade financial counterparty;
- Bucket 3: deterioration such as ascertained loss (category of default).

### 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 | 53 135 | | 578 | | |
| Debt securities | 1 130 | | | | |
| **Total** | **54 266** | | **578** | | |
| *Of which defaulted* | *739* | | | | |

## III-2 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 | 75 | 11 803 | -114 | | | 11 764 | -38 |
| *Of which: Specialised lending* | | | | | | | |
| *Of which: SMEs* | *55* | *2 633* | *-50* | | | *2 639* | *-16* |
| Retail | 463 | 27 258 | -625 | | | 27 095 | -81 |
| *Secured by real estate property* | | | | | | | |
| *SMEs* | | | | | | | |
| *Non-SMEs* | | | | | | | |
| *Qualifying revolving* | | | | | | | |
| *Other retail* | *463* | *27 258* | *-625* | | | *27 095* | *-81* |
| *SMEs* | *93* | *2 836* | *-93* | | | *2 836* | *-14* |
| *Non-SMEs* | *370* | *24 421* | *-532* | | | *24 259* | *-67* |
| Equity | | | | | | | |
| **Total IRB approach** | **537** | **39 061** | **-739** | | | **38 859** | **-119** |
| Central governments or central banks | 1 | 5 664 | -1 | | | 5 664 | 0 |
| Regional governments or local authorities | 2 | 181 | 0 | | | 182 | 0 |
| Public sector entities | | | | | | | |
| Multilateral development banks | | | | | | | |
| International organisations | | 15 | | | | 15 | |
| Institutions | | 1 580 | 0 | | | 1 580 | 0 |
| Corporates | 38 | 4 303 | -51 | | | 4 290 | 31 |
| *Of which: SMEs* | *21* | *874* | *-16* | | | *880* | *49* |
| Retail | 173 | 7 125 | -210 | | | 7 088 | -57 |
| *Of which: SMEs* | *64* | *1 928* | *-55* | | | *1 937* | *-31* |
| Secured by mortgages on immovable property | | | | | | | |
| *Of which: SMEs* | | | | | | | |
| Exposures in default | | | | | | | |
| Items associated with particularly high risk | | | | | | | |
| Covered bonds | | | | | | | |
| Claims on inst. and corporates with a ST credit assessment | | 171 | 0 | | | 171 | 0 |
| Collective investments undertakings | | 214 | | | | 214 | |
| Equity exposures | | 222 | | | | 222 | |
| Other exposures | | 2 174 | -119 | | | 2 056 | -119 |
| **Total standardised approach** | **213** | **21 650** | **-382** | | | **21 481** | **-145** |
| **Total** | **750** | **60 711** | **-1 121** | | | **60 340** | **-265** |
| *Of which: Loans* | *739* | *52 975* | *-1 109* | | | *52 605* | *-259* |
| *Of which: Debt securities* | | *1 130* | *-2* | | | *1 128* | *-1* |
| *Of which: Off-balance-sheet exposures* | *5* | *3 487* | *-10* | | | *3 481* | *-4* |

## III-3 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 | 1 | 5 664 | -1 | | | 5 664 | 0 |
| Institutions | | 1 751 | 0 | | | 1 751 | 0 |
| Other financial corporations | 2 | 196 | 0 | | | 197 | 0 |
| Households | 476 | 29 424 | -688 | | | 29 212 | -100 |
| Non-financial corporations | 271 | 21 066 | -313 | | | 21 024 | -46 |
| Of which: Manufacturing | *26* | *888* | *-13* | | | *900* | *3* |
| *Of which: Construction* | *30* | *1 108* | *-17* | | | *1 121* | *1* |
| *Of which: Wholesale and retail trade* | *133* | *14 578* | *-217* | | | *14 494* | *-47* |
| *Of which: Transport ans storage* | *19* | *557* | *-8* | | | *567* | *0* |
| *Of which: Professional, scientific and technical activities* | *12* | *464* | *-7* | | | *469* | *2* |
| *Of which: Administrative and support service activities* | *15* | *1 379* | *-21* | | | *1 374* | *-5* |
| *Of which: Human health services and social work activities* | *3* | *325* | *-5* | | | *323* | *0* |
| *Of which: Other sectors* | *34* | *1 768* | *-25* | | | *1 777* | *0* |
| Other exposures | 0 | 2 610 | -119 | | | 2 491 | -119 |
| **Total** | **750** | **60 711** | **-1 121** | | | **60 340** | **-265** |

## III-4 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 | 291 | 22 076 | -381 | | | 21 986 | -127 |
| Germany | 50 | 9 686 | -68 | | | 9 667 | -20 |
| Great-Britain | 35 | 5 901 | -147 | | | 5 789 | -25 |
| Italy | 111 | 6 640 | -118 | | | 6 632 | -18 |
| Spain | 69 | 4 607 | -113 | | | 4 562 | -38 |
| Brazil | 42 | 2 048 | -75 | | | 2 015 | -5 |
| South Korea | 30 | 1 813 | -42 | | | 1 800 | 4 |
| Swiss | 6 | 928 | -5 | | | 928 | 0 |
| Portugal | 6 | 833 | -20 | | | 819 | -6 |
| Poland | 14 | 960 | -22 | | | 953 | -3 |
| Netherland | 2 | 783 | -6 | | | 779 | -3 |
| Other countries | 96 | 4 437 | -124 | | | 4 410 | -24 |
| **Total** | **750** | **60 711** | **-1 121** | | | **60 340** | **-265** |

## III-5 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 | 328 | 241 | 66 | 78 | 46 | 44 |
| Debt securities | | | | | | |
| **Total exposures** | **328** | **241** | **66** | **78** | **46** | **44** |

## III-6 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 | 53 714 | 56 | 170 | 739 | 739 | 739 | 66 |
| Debt securities | 1 130 | | | | | | |
| Off-balance-sheet exposures | 3 492 | | | 5 | 5 | 5 | |

| | 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 | -518 | -4 | -484 | -49 | 16 404 | 6 |
| Debt securities | -2 | | | | | |
| Off-balance-sheet exposures | -9 | | -2 | | | |

## III-7 - Credit quality of forborne exposures

| In millions of euros | Gross carrying amount of exposures with forbearance measures | | | | Accumulated impairment and change in FV | | Collateral and financial guarantees received | |
|---|---|---|---|---|---|---|---|---|
| | Performing forborne | Non-performing forborne | Of which defaulted | Of which impaired | Performing forborne | Non-performing forborne | on forborne exposure | ow on NPE with forbearance measures |
| Loans and advances | **170** | **66** | **66** | **66** | **-4** | **-49** | **6** | |
| *Central banks* | | | | | | | | |
| *General governments* | | | | | | | | |
| *Credit institutions* | | | | | | | | |
| *Other financial corporations* | | | | | | | | |
| *Non-financial corporations* | *31* | *11* | *11* | *11* | *0* | *-8* | *2* | |
| *Households* | *139* | *55* | *55* | *55* | *-4* | *-41* | *4* | |
| Debt securities | | | | | | | | |
| Loan commitments given | | | | | | | | |
| **Total** | **170** | **66** | **66** | **66** | **-4** | **-49** | **6** | |

In the context of the COVID-19 crisis, RCI Banque group granted different legislative and non-legislative moratoria on loan repayments to retail and corporate counterparties. In line with ESMA and EBA recommendations, these have not been automatically classified as forborne loans.

## III-8 - Credit quality of performing and non-performing exposures per days past due

| In millions of euros | Gross carrying amount and nominal amount | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | Non-performing exposures | | | | | | | | |
| | | Not past due or past due < 30 days | Past due beetwen 30 d and 90 d | | Unlikely to pay or past due < 90 days | Past due beetwen 90 and 180 days | Past due beetwen 180 and 365 days | Past due beetwen 1 and 2 years | Past due beetwen 2 and 5 years | Past due beetwen 5 and 7 years | Past due > 7 years | Of which defaulted |
| Cash balances at central banks | **5 552** | **5 552** | | | | | | | | | | |
| Loans and advances | **47 423** | **47 367** | **56** | **739** | **571** | **78** | **46** | | **43** | | **1** | **739** |
| *Central banks* | *21* | *21* | | | | | | | | | | |
| *General governments* | *120* | *120* | *0* | *2* | *2* | *0* | *0* | | *0* | | | *2* |
| *Credit institutions* | *178* | *178* | | | | | | | | | | |
| *Other financial corporations* | | | | | | | | | | | | |
| *Non-financial corporations* | *18 953* | *18 933* | *20* | *260* | *222* | *23* | *3* | | *11* | | *0* | *260* |
| *Of which SMEs* | *8 253* | *8 239* | *14* | *227* | *192* | *22* | *3* | | *9* | | *0* | *227* |
| *Households* | *28 151* | *28 114* | *37* | *476* | *347* | *54* | *43* | | *32* | | *0* | *476* |
| Debt securities | **1 130** | **1 130** | | | | | | | | | | |
| *Central banks* | *97* | *97* | | | | | | | | | | |
| *General governments* | *696* | *696* | | | | | | | | | | |
| *Credit institutions* | *91* | *91* | | | | | | | | | | |
| *Other financial corporations* | *163* | *163* | | | | | | | | | | |
| *Non-financial corporations* | *83* | *83* | | | | | | | | | | |
| Loan commitments given | **3 093** | | | **5** | | | | | | | | **5** |
| *Central banks* | | | | | | | | | | | | |
| *General governments* | *27* | | | *0* | | | | | | | | *0* |
| *Credit institutions* | | | | | | | | | | | | |
| *Other financial corporations* | | | | | | | | | | | | |
| *Non-financial corporations* | *1 823* | | | *4* | | | | | | | | *4* |
| *Households* | *1 244* | | | *0* | | | | | | | | *0* |
| **Total** | **57 198** | **54 049** | **56** | **743** | **571** | **78** | **46** | | **43** | | **1** | **743** |

## III-9 - Performing and non-performing exposures and related provisions

| In millions of euros | Gross carrying amount and nominal amount | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial write-off | Collateral and financial guarantees received | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | Non-performing exposures | | | Performing exposures | | | Non-performing exposures | | | | Performing exposures | Non-performing exposures |
| | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | | |
| Cash balances at central banks | **5 552** | **5 552** | | | | | | | | | | | | | |
| Loans and advances | **47 423** | **43 980** | **3 443** | **739** | | **739** | **-518** | **-275** | **-243** | **-484** | | **-484** | | **16 312** | **92** |
| *Central banks* | *21* | *21* | | | | | | | | | | | | | |
| *General governments* | *120* | *103* | *18* | *2* | | *2* | *-2* | *0* | *-1* | *-1* | | *-1* | | *3* | *1* |
| *Credit institutions* | *178* | *117* | *60* | | | | *0* | *0* | *0* | | | | | *177* | |
| *Other financial corporations* | | | | | | | | | | | | | | | |
| *Non-financial corporations* | *18 953* | *17 730* | *1 223* | *260* | | *260* | *-164* | *-101* | *-62* | *-148* | | *-148* | | *12 349* | *56* |
| *Of which SMEs* | *8 253* | *7 483* | *770* | *227* | | *227* | *-81* | *-35* | *-46* | *-131* | | *-131* | | *1 762* | *43* |
| *Households* | *28 151* | *26 009* | *2 142* | *476* | | *476* | *-353* | *-173* | *-179* | *-335* | | *-335* | | *3 783* | *35* |
| Debt securities | **1 130** | **1 130** | | | | | **-2** | **-2** | | | | | | | |
| *Central banks* | *97* | *97* | | | | | *0* | *0* | | | | | | | |
| *General governments* | *696* | *696* | | | | | *-2* | *-2* | | | | | | | |
| *Credit institutions* | *91* | *91* | | | | | | | | | | | | | |
| *Other financial corporations* | *163* | *163* | | | | | *0* | *0* | | | | | | | |
| *Non-financial corporations* | *83* | *83* | | | | | *0* | *0* | | | | | | | |
| Loan commitments given | **3 093** | **3 085** | **8** | **5** | | **5** | **-8** | **-8** | **0** | **-2** | | **-2** | | | |
| *Central banks* | | | | | | | | | | | | | | | |
| *General governments* | *27* | *27* | *0* | *0* | | *0* | *0* | *0* | | *0* | | *0* | | | |
| *Credit institutions* | | | | | | | | | | | | | | | |
| *Other financial corporations* | | | | | | | | | | | | | | | |
| *Non-financial corporations* | *1 823* | *1 815* | *7* | *4* | | *4* | *-7* | *-7* | *0* | *-2* | | *-2* | | | |
| *Households* | *1 244* | *1 243* | *0* | *0* | | *0* | *-1* | *-1* | *0* | *0* | | *0* | | | |
| **Total** | **57 198** | **53 747** | **3 451** | **743** | | **743** | **-528** | **-285** | **-243** | **-486** | | **-486** | | **16 312** | **92** |

## III-10 - Collateral obtained by taking possession and execution processes

| In millions of euros | Value at initial recognition | Accumulated negative changes |
|---|---|---|
| Property, plant and equipment (PP&E) | | |
| Other than PP&E | | |
| *Residential immovable property* | | |
| *Commercial Immovable property* | | |
| *Movable property (auto, shipping, etc.)* | | |
| *Equity and debt instruments* | | |
| Other | | |
| **Total** | | |

## 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** | **856** | |
| Increases due to amounts set aside for estimated loan losses during the period | 349 | |
| Decreases due to amounts reversed for estimated loan losses during the period | -124 | |
| Decreases due to amounts taken against accumulated credit risk adjustments | -50 | |
| Transfers between credit risk adjustments | | |
| Impact of exchange rate differences | -17 | |
| Business combinations, including acquisitions and disposals of subsidiaries | -11 | |
| Other adjustments | 11 | |
| **Closing balance** | **1 014** | |
| Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | 5 | |
| Specific credit risk adjustments directly recorded to the statement of profit or loss | 65 | |

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

| In millions of euros | GV defaulted exposures |
|---|---|
| **Opening balance** | **676** |
| Loans and debt securities that have defaulted or impaired since the last reporting period | 275 |
| Returned to non-defaulted status | -147 |
| Amounts written off | -65 |
| Other changes | |
| **Closing balance** | **739** |

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

The following three templates provide information on exposures subject to legislative and non-legislative moratoria on loan repayments applied in the light of the COVID- 19 crisis, on newly originated exposures subject to public guarantee schemes and the impairment attached to.

## III – 13 - Information on loans and advances subject to legislative and non-legislative moratoria

| In euros | Gross carrying amount | | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | Gross carrying amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Performing | | | Non performing | | | | Performing | | | Non performing | | | Inflows to non-performing exposures |
| | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days | |
| Loans and advances subject to moratorium | **5 537 129 704** | 5 488 436 337 | 1 791 555 | 685 438 008 | 48 693 367 | - | 40 723 090 | 77 723 178 | 61 413 311 | 53 792 | 31 229 904 | 16 309 867 | - | 14 179 170 | 36 407 773 |
| of which: Households | **690 230 859** | 686 573 161 | 643 507 | 173 499 985 | 3 657 698 | - | 939 682 | 18 190 422 | 16 742 062 | 28 225 | 13 014 448 | 1 448 359 | - | 407 584 | 2 689 109 |
| *of which: Collateralised by residential immovable property* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| of which: Non-financial corporations | 4 846 898 845 | **4 801 863 176** | **1 148 048** | **511 938 023** | **45 035 669** | **-** | **39 783 408** | **59 532 757** | **44 671 249** | **25 567** | **18 215 456** | **14 861 508** | **-** | **13 771 586** | **33 718 664** |
| *of which: Small and Medium-sized Enterprises* | 2 179 715 103 | **2 148 285 176** | **14 149** | **252 388 314** | **31 429 928** | **-** | **27 867 637** | **36 911 421** | **26 270 078** | **5 438** | **11 451 819** | **10 641 344** | **-** | **9 820 711** | **27 750 778** |
| *of which: Collateralised by commercial immovable property* | - | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

At the end of June, on our Individuals and Corporate portfolio (excluding Dealers), exposures under not yet expired moratoria measures amounts to €4200M. This amount includes €3118M of moratoria granted by default[2] in France to all companies with a financed vehicle.

In Network financing (Dealers), the total exposures subject to not yet expired moratoria amounts to €1337 million. A significant portion of the maturity extensions granted to Dealers during the lockdown period has already been settled to RCI, mainly due to the resumption of vehicle sales activity in Europe.

[2] Moratoria granted systematically and by default to all Diac and Diac Location corporate customers to relieve the customer relationship platforms during the first days of lockdown. Customers who did not wish to benefit from these maturity extensions were able to request that their contractual schedule be maintained.

## III-14- Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

| In euros | Number of obligors | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Residual maturity of moratoria | | | | |
| | | | Of which: legislative moratoria | Of which: expired | <= 3 months | > 3 months <= 6 months | > 6 months <= 9 months | > 9 months <= 12 months | > 1 year |
| Loans and advances for which moratorium was offered | 256 053 | 7 638 904 790 | | | | | | | |
| Loans and advances subject to moratorium (granted) | 247 929 | **7 423 516 971** | **4 060 114 076** | **1 886 387 267** | **1 383 298 955** | **3 464 142 689** | **28 131 332** | **33 200 142** | **628 356 585** |
| of which: Households | | **944 127 096** | **610 100 210** | **259 388 122** | **183 821 683** | **31 053 423** | **6 994 201** | **12 153 760** | **450 715 904** |
| *of which: Collateralised by residential immovable property* | | - | - | - | - | - | - | - | - |
| of which: Non-financial corporations | | **6 479 389 875** | **3 450 013 865** | **1 626 999 144** | **1 199 477 272** | **3 433 089 266** | **21 137 131** | **21 046 382** | **177 640 681** |
| *of which: Small and Medium-sized Enterprises* | | **2 489 129 627** | **1 915 240 009** | **312 931 409** | **298 544 766** | **1 725 149 754** | **8 647 362** | **16 113 643** | **127 742 692** |
| *of which: Collateralised by commercial immovable property* | | - | - | - | - | - | - | - | - |

## III-15- Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

| In euros | Gross carrying amount | | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|---|
| | | of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| **Newly originated loans and advances subject to public guarantee schemes** | **-** | - | - | - |
| of which: Households | - | | | - |
| of which: Collateralised by residential immovable property | - | | | - |
| of which: Non-financial corporations | - | - | - | - |
| of which: Small and Medium-sized Enterprises | - | | | - |
| of which: Collateralised by commercial immovable property | - | | | - |

## B - 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.

## C - ADVANCED METHOD

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 customers. Six big countries (Germany, Spain, France, Italy, South Korea and United Kingdom) are treated using the advanced approach based on internal ratings.

For all of these scopes, RCI has obtained the following authorizations:

- For France, Germany, Italy and Spain, approved in January 2008;
- For the United Kingdom, approved in January 2010;
- For Korea, approved in June 2011.

The credit risk models applied within RCI Banque are subject to on-site supervisor inspections, giving rise to obligations and/or recommendations and, where applicable, the establishment of temporary additional margins on the parameters estimated by the Bank.

### a) 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 RWA density (weighted risks/exposures) totals 47% for the Retail Customer portfolio and 57% for the overall Corporate portfolio using the advanced internal rating method and 87% for the basic internal rating method.

The calculated average rates are at 84% for the customer financing commitments (representing €1,196M), and 1% for the corporate approvals (representing €984M). The %CCF (Credit Conversion Factor) has been changed to 0% on most of the off-balance sheet exposures towards companies, the credit lines being unconditionally cancellable at any time without notice in case of a deterioration of the borrower's creditworthiness.

## III-16 CR6 IRB approach – Credit risk exposures by portfolio and PD range

| In Millions of euros<br>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 | 1 | | | 1 | | 1 | 45,00% | 2,5 | 0 | 15,27% | | |
| 0.15 to <0.25 | | | | | | | | | | | | |
| 0.25 to <0.50 | 11 | | | 11 | 0,35% | 3 | 45,00% | 2,5 | 7 | 62,27% | 0 | |
| 0.50 to <0.75 | | | | | | | | | | | | |
| 0.75 to <2.50 | 15 | | | 15 | 0,83% | 6 | 45,00% | 2,5 | 14 | 90,75% | 0 | |
| 2.50 to <10.00 | 6 | | | 6 | 3,29% | 2 | 45,00% | 2,5 | 8 | 139,59% | 0 | |
| 10.00 to <100.00 | | | | | | | | | | | | |
| 100.00 (Default) | | | | | | | | | | | | |
| **Sub-total Corporate FIRB** | **33** | | | **33** | **1,07%** | **12** | **45,00%** | **2,5** | **29** | **86,86%** | **0** | |
| **Portfolio Corporates AIRB** | | | | | | | | | | | | |
| 0.00 to <0.15 | 238 | 60 | | 238 | 0,03% | 474 | 40,77% | 1,5 | 23 | 9,65% | 0 | 0 |
| 0.15 to <0.25 | 250 | 21 | | 240 | 0,22% | 54 | 19,72% | 1,1 | 30 | 12,34% | 0 | 0 |
| 0.25 to <0.50 | 469 | 107 | 1% | 470 | 0,36% | 432 | 39,78% | 1,4 | 207 | 44,04% | 1 | -1 |
| 0.50 to <0.75 | 3 059 | 64 | | 2 731 | 0,75% | 534 | 22,45% | 1,1 | 851 | 31,18% | 4 | -4 |
| 0.75 to <2.50 | 3 530 | 376 | 1% | 3 494 | 1,65% | 4 455 | 28,45% | 1,2 | 1 839 | 52,62% | 15 | -16 |
| 2.50 to <10.00 | 2 752 | 252 | 1% | 2 636 | 6,09% | 2 540 | 27,89% | 1,2 | 2 129 | 80,77% | 39 | -31 |
| 10.00 to <100.00 | 491 | 101 | 0% | 491 | 22,40% | 574 | 34,36% | 1,2 | 741 | 150,96% | 41 | -24 |
| 100.00 (Default) | 71 | 3 | | 71 | 100,00% | 204 | 81,29% | 1,3 | 126 | 176,33% | 49 | -39 |
| **Sub-total Corporate AIRB** | **10 861** | **984** | **1%** | **10 372** | **4,07%** | **9 267** | **27,97%** | **1,2** | **5 945** | **57,32%** | **149** | **-114** |
| **Portfolio Retail** | | | | | | | | | | | | |
| 0.00 to <0.15 | 1 926 | 240 | 100% | 2 166 | 0,09% | 430 507 | 54,08% | | 285 | 13,14% | 1 | -1 |
| 0.15 to <0.25 | 2 352 | 196 | 100% | 2 547 | 0,21% | 361 442 | 49,17% | | 544 | 21,36% | 3 | -2 |
| 0.25 to <0.50 | 3 918 | 179 | 98% | 4 094 | 0,40% | 419 577 | 51,79% | | 1 402 | 34,25% | 9 | -7 |
| 0.50 to <0.75 | 4 114 | 62 | 99% | 4 176 | 0,54% | 318 565 | 41,82% | | 1 403 | 33,59% | 10 | -11 |
| 0.75 to <2.50 | 9 942 | 392 | 73% | 10 226 | 1,29% | 828 989 | 51,24% | | 5 881 | 57,51% | 68 | -85 |
| 2.50 to <10.00 | 2 767 | 112 | 35% | 2 806 | 4,84% | 211 319 | 48,18% | | 1 958 | 69,79% | 66 | -63 |
| 10.00 to <100.00 | 1 045 | 13 | 59% | 1 053 | 24,83% | 88 971 | 50,54% | | 1 195 | 113,50% | 134 | -139 |
| 100.00 (Default) | 461 | 2 | 34% | 461 | 100,00% | 54 690 | 80,28% | | 157 | 34,04% | 362 | -318 |
| **Sub-total Retail** | **26 525** | **1 196** | **84%** | **27 529** | **3,77%** | **2 714 060** | **50,07%** | | **12 825** | **46,59%** | **652** | **-625** |
| **Total (all portfolios)** | **37 418** | **2 180** | **46%** | **37 934** | **3,85%** | **2 723 339** | **44,03%** | | **18 799** | **49,56%** | **802** | **-739** |

### b) Borrower data dimension - Probability of Default (PD) parameter

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.

New PD models and recalibrations of parameters on certain models were put into production in the first half of 2020 on part of the perimeter. All these adjustments have been validated by the ECB.

### III-17 Segmentation of exposures by the advanced method and average PD by country

It is specified that PD France's retail customer model was put into production in the first half of 2020, following its validation by the ECB.

| Category of exposure | IRBA countries | Average sound portfolio PD at 30/06/2020 |
|---|---|---|
| **Retail customers** | Germany | 1,23% |
| | Spain | 1,18% |
| | France | 2,19% |
| | Italy | 1,69% |
| | United Kingdom | 2,38% |
| | South Korea | 0,88% |
| **Small and medium-sized companies** | Germany | 2,17% |
| | Spain | 4,01% |
| | France | 3,59% |
| | Italy | 6,05% |
| | United Kingdom | 2,73% |
| | South Korea | 1,27% |
| **Large corporations** | Germany | 2,96% |
| | Spain | 6,40% |
| | France | 2,99% |
| | Italy | 3,51% |
| | United Kingdom | 2,39% |

### c) 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 car dealers, 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.

Following the introduction of new LGD models in the first half of 2020 and the recalibration of parameters on certain models, the LGD segments and the values in the table have been updated and differ from those published for December 2019. All these adjustments have been validated by the ECB.

## III-18 Segmentation of exposures by the advanced method and average LGD by country

| Category of exposure | IRBA countries | Population group segmentation | Type of model | Intenal/External model | Average sound portfolio LGD |
|---|---|---|---|---|---|
| **Retail individuals SME** | France | credit with ratio Maturity[1]/Forecast duration<=0.377 | Statistical | Internal | 64,64% |
| | | credit with ratio Maturity[1]/Forecast duratio>0.377 | | | 53,83% |
| | | leasing with ratio Maturity[1]/Forecast duratio<=0.432 | | | 49,33% |
| | | leasing with ratio Maturity[1]/Forecast duratio>0.432 | | | 39,80% |
| | Germany | Credit | Statistical | Internal | 28,55% |
| | | Leasing | | | 50,55% |
| | Spain | Duration before funding ends <=9 mois | Statistical | Internal | 37,11% |
| | | 9 mois< Duration before funding ends <=30 mois | | | 51,73% |
| | | Duration before funding ends >30 mois | | | 65,84% |
| | Italy | Credit VN | Statistical | Internal | 53,56% |
| | | Credit VO | | | 66,30% |
| | United Kingdom | Credit VN | Statistical | Internal | 53,33% |
| | | Credit VO | | | 62,43% |
| | South Korea | Maturity[1] <=10 mois | Statistical | Internal | 79,78% |
| | | 10< Maturity[1] <=34 mois | | | 64,75% |
| | | Maturity[1] >34 mois | | | 63,56% |
| **Corporate** | France | Credit | Statistical | Internal | 43,00% |
| | | Leasing | | | 44,90% |
| | Germany | Credit | Statistical | Internal | 22,40% |
| | | Leasing | | | 32,30% |
| | Spain | Credit VN | Statistical | Internal | 47,60% |
| | | Credit VO | | | 54,47% |
| | | Leasing | | | 49,30% |
| | Italy | Single segment | Statistical | Internal | 53,20% |
| | United Kingdom | Single segment | Statistical | Internal | 49,30% |
| **Dealers** | G5(*) | R1 VN | Combined | Internal | 15,90% |
| | | R1 others | | | 33,50% |

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

[1] This is the difference between the default date and the management date

## d) 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 twice a year to the Executive Committee during a dedicated presentation.

Regulatory changes with a significant impact on the models are monitored and analyzes in detail by the modeling teams. This is notably the case for the EBA Regulatory Technical Standards (RTS) on the new definition of default for which a global project is underway within the Group to integrate the impacts on the models used and adapt operational processes.

Furthermore, 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-19 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 31/12/2019** | **16 824** | **1 346** |
| Asset size | 66 | 5 |
| Asset quality | 720 | 58 |
| Model updates | 1 546 | 124 |
| Methodology & policy | 0 | 0 |
| Acquisitions and disposals | 0 | 0 |
| Foreign exchange movements | -96 | -8 |
| Other | 0 | 0 |
| **RWA at 31/03/2020** | **19 060** | **1 525** |

Between December 2019 and March 2020, the level of RWAs has increased due to the rise in outstandings, the improvement of asset quality and the production launch of PD and LGD models on retail and corporate perimeter (excluding dealers). Currency fluctuations slightly mitigate this increase.

| In million of euros | RWA amounts | Capital requirements |
|---|---|---|
| **RWA at 31/03/2020** | **19 060** | **1 525** |
| Asset size | -1 034 | -83 |
| Asset quality | -347 | -28 |
| Model updates | 1 190 | 95 |
| Methodology & policy | 0 | 0 |
| Acquisitions and disposals | 0 | 0 |
| Foreign exchange movements | -71 | -6 |
| Other | 0 | 0 |
| **RWA at 30/06/2020** | **18 799** | **1 504** |

The downward variation in RWAs between the last two quarters is due to the decrease in outstandings on the portfolio under the advanced model, the improvement of asset quality and the currency fluctuations. However, these effects are partly offset by the production launch of LGD models on dealers perimeter.

## D - 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-20 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 | 5 656 | 6 | 5 656 | 3 | 307 | 5.42% |
| Regional government or local authorities | 49 | 132 | 49 | 128 | 43 | 24.54% |
| Public sector entities | | | | | | |
| Multilateral development banks | | | | | | |
| International organisations | 15 | | 15 | | | |
| Institutions | 1 562 | 18 | 1 562 | 8 | 407 | 25.91% |
| Corporates | 3 820 | 445 | 3 746 | 30 | 3 737 | 98.96% |
| Retail | 6 616 | 410 | 6 614 | 171 | 4 776 | 70.39% |
| Secured by mortgages on immovable property | | | | | | |
| Exposures in default | 88 | 0 | 81 | 0 | 99 | 123.10% |
| Higher-risk categories | | | | | | |
| Covered bonds | | | | | | |
| Institutions and corporates with a short-term credit assessment | 153 | 18 | 153 | 4 | 172 | 110.03% |
| Collective investment undertakings | 214 | | 214 | | 214 | 100.00% |
| Equity | 222 | | 222 | | 550 | 248.11% |
| Other items | 1 826 | 75 | 1 826 | 75 | 1 625 | 85.47% |
| **Total** | **20 221** | **1 105** | **20 138** | **419** | **11 931** | **58.04%** |

CRM: Credit Risk Mitigation

CCF: Credit Conversion Factor

The %CCF has been changed to 0% on most of the off-balance sheet exposures towards companies, the credit lines being unconditionally cancellable at any time without notice in case of a deterioration of the borrower's creditworthiness.

## III-21 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 | 5 525 | | | | | | 2 | | 14 | 5 | 114 | | | | | 5 659 | |
| Regional government or local authorities | | | | | 167 | | | | 10 | | | | | | | 177 | 177 |
| Public sector entities | | | | | | | | | | | | | | | | | |
| Multilateral development banks | | | | | | | | | | | | | | | | | |
| International organisations | 15 | | | | | | | | | | | | | | | 15 | |
| Institutions | | | | | 1 414 | | 64 | | 92 | | | | | | | 1 570 | 1 483 |
| Corporates | | | | | 16 | | 48 | | 3 680 | 32 | | | | | | 3 776 | 3 712 |
| Retail | | | | | | | | 6 785 | | | | | | | | 6 785 | 6 785 |
| Secured by mortgages on immovable property | | | | | | | | | | | | | | | | | |
| Exposures in default | | | | | | | | | 43 | 37 | | | | | | 81 | 80 |
| Higher-risk categories | | | | | | | | | | | | | | | | | |
| Covered bonds | | | | | | | | | | | | | | | | | |
| Inst. and corporates with a ST credit assessment | | | | | 47 | | 1 | | | 108 | | | | | | 157 | 108 |
| Collective investment undertakings | | | | | | | | | 214 | | | | | | | 214 | 214 |
| Equity | | | | | | | | | 3 | | 219 | | | | | 222 | 222 |
| Other items | 0 | | | | 345 | | | | 1 556 | | | | | | | 1 901 | 1 901 |
| **Total** | **5 540** | | | | **1 989** | | **115** | **6 785** | **5 612** | **182** | **333** | | | | | **20 557** | **14 682** |

## E - CREDIT RISK MITIGATION TECHNIQUES

### III-22 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 | 29 | 29 |
| **Exposures under AIRB** | | |
| Central governments and central banks | | |
| Institutions | | |
| Corporates – SMEs | 1 176 | 1 176 |
| Corporates – Specialised lending | | |
| Corporates – Other | 4 769 | 4 769 |
| Retail – Secured by real estate SMEs | | |
| Retail – Secured by real estate non-SMEs | | |
| Retail – Qualifying revolving | | |
| Retail – Other SMEs | 1 305 | 1 305 |
| Retail – Other non-SMEs | 11 520 | 11 520 |
| Equity IRB | | |
| Other non credit obligation assets | | |
| **Total** | **18 799** | **18 799** |

## F - COUNTERPARTY CREDIT RISK

### EXPOSURE TO COUNTERPARTY CREDIT RISK

### III-23 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 | | 314 | | | | 314 | 74 |
| 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** | | | | | | | **74** |

RWAs on counterparty credit risk are based on exposure on derivatives, to which an add-on is allocated. The exposure is then weighted by risk in accordance with the standard method – based on counterparties' credit quality.

### III-24 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 | | | 53 | 19 | | | | | 72 | 52 |
| Corporates | | | | | | | | | | |
| Retail | | | | | | | | | | |
| Inst. and corporates with a ST credit assessment | | | 2 | 0 | | | | | 3 | |
| Other items | | | | | | | | | | |
| **Total** | | | **55** | **19** | | | | | **74** | **52** |

## III-25 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 | 314 | 41 | 273 | 238 | 35 |
| SFTs | | | | | |
| Cross-product netting | | | | | |
| **Total** | **314** | **41** | **273** | **238** | **35** |

## III-26 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 | | 238 | 79 | 1 | | |
| Cash – other currencies | | 0 | 7 | | | |
| Domestic sovereign debt | | | | | | |
| Other sovereign debt | | | | | | |
| Government agency debt | | | | | | |
| Corporate bonds | | | | | | |
| Equity securities | | | | | | |
| Other collateral | | | | | | 10 |
| **Total** | | **238** | **86** | **1** | | **10** |

## III-27 CCR8 - Exposures to CCPs

| In Millions of euros | EAD (post-CRM) | RWA |
|---|---|---|
| **Exposures to QCCPs (total)** | | **17** |
| Exposures for trades at QCCPs (excluding initial margin and default fund contributions) | 7 | 1 |
| *(i) of which OTC derivatives* | *7* | *1* |
| *(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 | 79 | |
| 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 | 314 | 237 |
| Based on the original exposure method | | |
| **Total subject to the CVA capital charge** | **314** | **237** |

# V - LIQUIDITY RISK

## 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 30 June 2020 was €2,834m. It amounted to €2,265m on average during the 12-month period ending on 31 March 2020. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals. On 30 June 2020, the average duration of the bond portfolio was below 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 a very low exposure to the interest rate risk with a maximum of two years.

Over the 12-month period ending on 30 June 2020, EUR and GBP denominated HQLA represented on average 82.1% and 14.2% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on 31 March 2020, which were 79.7% for EUR and 15.7% for GBP.

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 30 June 2020 came at 316%, compared to 263% on average over the 12-month period ending on 31 March 2020.

## V-1 LIQ1 - Liquidity Coverage Ratio (LCR)

| In millions of euros | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|
| **Quarter ending on** | **30/09/2019** | **31/12/2019** | **31/03/2020** | **30/06/2020** | **30/09/2019** | **31/12/2019** | **31/03/2020** | **30/06/2020** |
| Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **High-Quality Liquid Assets (HQLA)** | | | | | | | | |
| **Total high-quality liquid assets** | | | | | **1 835** | **1 897** | **2 265** | **2 834** |
| **Cash Outflows** | | | | | | | | |
| Retail deposits and deposits from small business customers | 12 818 | 13 073 | 13 209 | 13 312 | 1 341 | 1 367 | 1 385 | 1 407 |
| *Stable deposits* | | | | | | | | |
| *Less stable deposits* | *12 818* | *13 073* | *13 209* | *13 312* | *1 341* | *1 367* | *1 385* | *1 407* |
| Unsecured wholesale funding | 840 | 889 | 898 | 877 | 659 | 725 | 747 | 731 |
| Operational deposits and deposits in networks of cooperative banks | | | | | | | | |
| Non-operational deposits (all counterparties) | *374* | *374* | *379* | *369* | *194* | *209* | *228* | *222* |
| Unsecured debt | *466* | *515* | *519* | *509* | *466* | *515* | *519* | *509* |
| Secured wholesale funding | | | | | 41 | 45 | 49 | 42 |
| Additional requirements | 445 | 619 | 795 | 860 | 203 | 228 | 252 | 272 |
| *Outflows related to derivative exposures and other collateral requirements* | *177* | *187* | *196* | *212* | *177* | *187* | *196* | *212* |
| *Outflows related to loss of funding on debt products* | | | *0* | *0* | | | *0* | *0* |
| *Credit and liquidity facilities* | *267* | *432* | *599* | *648* | *26* | *41* | *56* | *60* |
| Other contractual funding obligations | 1 383 | 1 312 | 1 182 | 1 089 | 460 | 472 | 450 | 417 |
| Other contingent funding obligations | 2 407 | 2 277 | 2 135 | 2 090 | 240 | 322 | 414 | 481 |
| **Total Cash Outflows** | | | | | **2 944** | **3 158** | **3 297** | **3 350** |
| **Cash Inflows** | | | | | | | | |
| Secured lending (eg reverse repos) | | | | | | | | |
| Inflows from fully performing exposures | 4 160 | 4 198 | 4 082 | 4 059 | 2 345 | 2 371 | 2 322 | 2 367 |
| Other cash inflows | 2 478 | 2 541 | 2 376 | 1 916 | 799 | 822 | 777 | 666 |
| (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** | **6 639** | **6 739** | **6 458** | **5 975** | **3 144** | **3 193** | **3 099** | **3 033** |
| *Fully exempt inflows* | | | | | | | | |
| *Inflows Subject to 90% Cap* | | | | | | | | |
| *Inflows Subject to 75% Cap* | *6 639* | *6 739* | *6 458* | *5 975* | *3 144* | *3 193* | *3 099* | *3 033* |
| Total HQLA | | | | | 1 835 | 1 897 | 2 265 | 2 834 |
| Total net Cash Outflows | | | | | 743 | 796 | 856 | 888 |
| **Liquidity Coverage Ratio** | | | | | **249%** | **239%** | **263%** | **316%** |

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