RCI BANK AND SERVICES

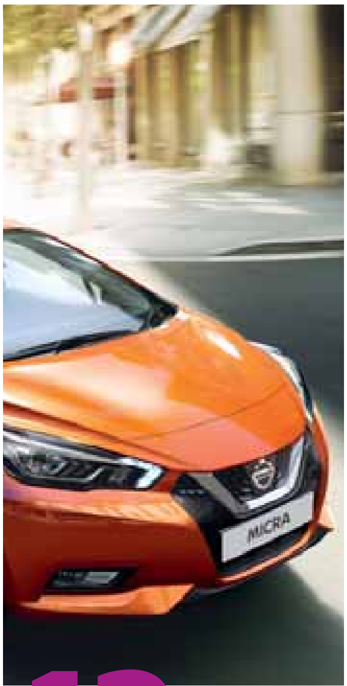
ANNUAL REPORT **2017**

The future is automobility

Our **vision**

We believe
in personalized services
to open access to mobility for all.
We are engaged
to innovate faster
to serve our customers better.

Contents



The

Alliance: our reason for being

Supporting the lasting
and profitable growth
of the Alliance brands
is our history and our future.

Automob
is our territory

From ownership
to usage and sharing,
the needs of Alliance customers
are changing.
We are bringing
them a customized
automobility solution.


ility

The

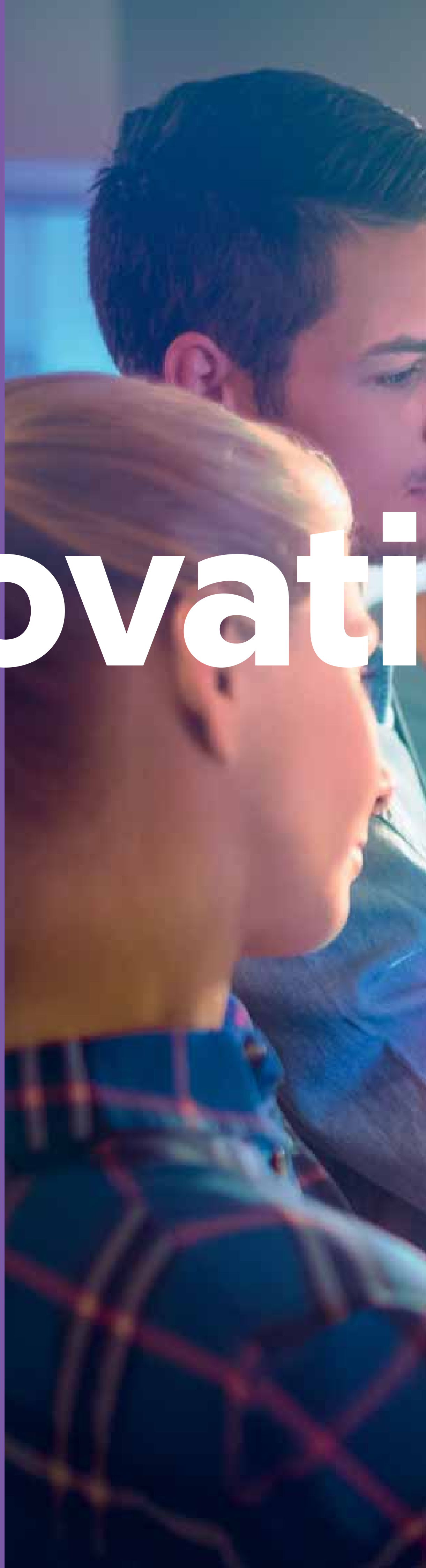
customer
is our driving force

Customers are central
to our vision and attention,
inspiring our transformation
and our most innovative projects.

Innovati
is our mindset

INNOVATION

A driver for motivation and opening up to new working methods and rapidly converting our ideas into real-life solutions.




on

In 2017 RCI Bank and Services strengthened its performances, developed new partnerships, led innovative initiatives and scored numerous successes around the world.

Optimization

From financing offers to new activities and development strategies, RCI Bank and Services is developing innovative solutions worldwide to boost its performance and growth.

Spain
GOOGLE AWARDS NOMINATION

In September 2017 RCI Bank and Services España was a finalist in its category at the Google Premier Partner Awards. The recognition confirms the relevance of its online strategy for generating traffic on its websites and winning over new customers.

Argentina
BOOSTING SALES THROUGH THE CREATION OF CREDI NISSAN

Nissan is now the ninth best-selling carmaker in Argentina. To boost the brand, RCI Banque Sucursal Argentina launched Credi Nissan in October 2017. The initiative is expected to generate nearly 10,000 contracts in 2018.

India
RENAULT KWID FINANCING: A WINNING OFFER

Nissan Renault Financial Services India launched a disruptive financing offer for Kwid with low monthly payments and initial down-payments for the market. The new offer has proved a major success, with one Kwid customer in five financing their vehicle with Renault Finance at end-June 2017.

Colombia
LAUNCH OF THE USED VEHICLES BUSINESS

RCI Colombia is developing at a brisk pace. At end-2017 the subsidiary worked with 26 of the 27 Renault dealerships in the country and had exceeded its sales used vehicles objectives by nearly 37%, with 765 contracts signed.

Germany
A HIGH-PERFORMANCE TEAM

Renault Bank finished first out of 24 companies offering vehicle financings in the rankings of the German business magazine Focus Money. The performance rewards the work accomplished by our subsidiary to ensure the highest level of customers' satisfaction with its products and customer service.

Customer-centric

This year the group's subsidiaries worked to bring Alliance customers a more simple and seamless journey, in particular through new digital solutions. Local initiatives were often extended to our other markets.

France / Austria
LET'S GET DIGITAL!

In France, customers can subscribe 100% on line to the ZESTO savings account. In Austria, Renault Bank Direkt is able to open a contract on line in just four steps. Both services improve customer satisfaction and loyalty by optimizing the customer journey on the websites www.livretzesto.fr and www.renault-bank-direkt.at.

UK
AWARDS FOR OUR SAVINGS OFFERS

RCI Bank UK won three prizes at the 2017 Savings Champion Annual Awards. The success vindicates the strategy of our bank on line in the UK, focused on proposing simple, accessible and competitive offers.

Slovenia

90%
OF CONTRACTS SIGNED ELECTRONICALLY AT END-2017

The Slovenian dealerships of the Alliance and their customers can now sign contracts electronically. The procedure is compliant with national legislation. Signatures are checked and the e-document immediately archived using a solution consistent with the most demanding security criteria.

Netherlands
100% DIGITAL CAR LOAN

Thanks to RCI Financial Services, retail customers of Renault, Dacia and Nissan in the Netherlands can take out a car loan for a new or used model at dealerships using a tablet. The service makes the process quicker and easier.

Spain
A FASTER APPROVAL OF THE FINANCING CONTRACT

RCI Bank and Services España implemented a new technology, «Optical Character Recognition», that automatically checks all supporting documents. At end 2017, nearly 55% of all the documents provided by customers are now approved in this manner. A similar technology is currently being introduced in Brazil and trialled in Italy, France, Russia and Germany.

Services

In 2017, we pursued our strategy on bringing customers accessible, competitive and efficient offers and an ever greater range of services.

Spain
HIGH-PERFORMANCE OFFER FOR PROFESSIONALS

For a three-month period, RCI Bank and Services offered Spanish professionals buying a light commercial vehicle (Trafic, Master or Kangoo) an «Autonomos» Pack. Free of charge in the first year, the pack includes insurance on their revenues in the event of vehicle immobilization, together with legal assistance.
The new offer has proven a big success with 641 customers.

South Korea
SUCCESSFUL LAUNCH OF RENAULT SAMSUNG DIRECT INSURANCE

Launched by RCI Insurance Services Korea, Renault Samsung Direct Insurance is a first on the South Korean market.
The comprehensive insurance offer, developed through a partnership with AXA Direct, has already attracted 10% of Renault Samsung Motors customers when purchasing their vehicle at end 2017.

India
NISSAN RENAULT FINANCIAL SERVICES INDIA LAUNCHES A COMPLETE RANGE OF SERVICES

Each financing contract for a Renault vehicle is sold with at least two services, ranging from a warranty extension, accessories or borrower insurance. In June 2017, borrower insurance was taken out by 90% of Kwid customers and nearly half the retail customers of Nissan Renault Financial Services India.

Romania
CREDIT BOX: THE ONLY PRODUCT OF ITS KIND

Targeting Dacia retail customers, Credit Box comprises an innovative sliding-scale financing offer. The more customers subscribe to services, the more their interest rate decreases – to among the lowest on the market.

Sweden and Denmark
SUCCESS FOR RENAULT CARE MAINTENANCE

Launched in September 2016, Renault Care Maintenance is gathering considerable momentum. The monthly subscription to a maintenance and repair service is distributed in the Renault and Dacia networks. The offer boosts loyalty, enhances the value of the brand and bolsters the sales of Renault and Dacia passenger and light commercial vehicles in the Nordic region.

Innovation

From new mobilities and FinTechs to data and the blockchain, RCI Bank and Services is committing to innovators and preparing to round out its business model with new technologies and solutions.

UK ONLINE FRAUD PREVENTION: RCI FINANCIAL SERVICES AND FORTER INNOVATE

As part of the partnership between the Innovation Division of RCI Bank and Services and the 500 Startups accelerator, RCI Financial Services is working hand in hand with Forter*. Together, their teams have designed and developed a solution to detect fraud that safeguards the quality of the customer experience.

* Forter : start-up specialized in selection of online frauds

HELLO TOMORROW CHALLENGE: IDENTIFYING FUTURE SOLUTIONS

RCI Bank and Services is a partner of the annual Hello Tomorrow challenge. In 2017 the challenge identified and supported 70 projects from among 3,000 applicants from over 100 countries. The technological and scientific projects are aimed at enhancing tomorrow's world as well as detecting changes across all professional sectors in the coming years. Commenting, Guillaume Vandenesch, Co-Director of Hello Tomorrow, said: "*This is really the first year that we've seen so many projects employing artificial intelligence, all sectors combined*". The challenge is a singular opportunity for reviewing the key trends in the healthcare, automotive, banking and energy sectors that will have a profound impact on our lifestyles and consumer behaviour.

CITYMAKERS: EXPLORING NEW MOBILITIES

The way we are using cars is changing considerably and generating new challenges. This is why RCI Bank and Services has committed alongside Groupe Renault, Nissan, AXA and the City of Paris to CityMakers, a programme launched at the NUMA accelerator on 20 June 2017. The objective is to test new mobility solutions on an open innovation basis for a ten-month period.

OUR CONTRIBUTION TO THE BLOCKCHAIN AT THE EDCON CONFERENCE

In February 2017, RCI Bank and Services actively contributed to the Edcon conference held at ESCP Europe business school. At the event, as a member of the R3 and Labchain consortiums, RCI Bank and Services presented its interest in the exploration of the blockchain and established strategic contacts for its future research.

FINTECH LABS WEEKEND PARTNER FOR THE SECOND TIME

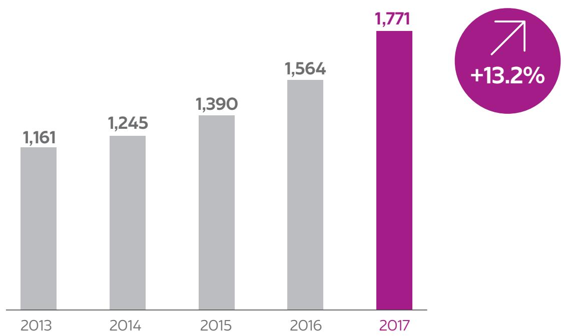
Some 100 participants from a diverse range of sectors met up in May 2017 to create a start-up in the field of FinTech in just 50 hours.

Two of our employees were part of the mentor team. The three best projects were pitched at Viva Technology, the global innovation event held in Paris in June.

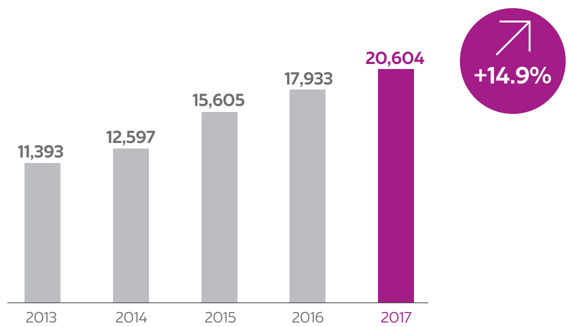
A record year of growth and improved profitability

The main indicators in 2017 show double-digit growth, the result of a high-performance development, innovation and optimization strategy.

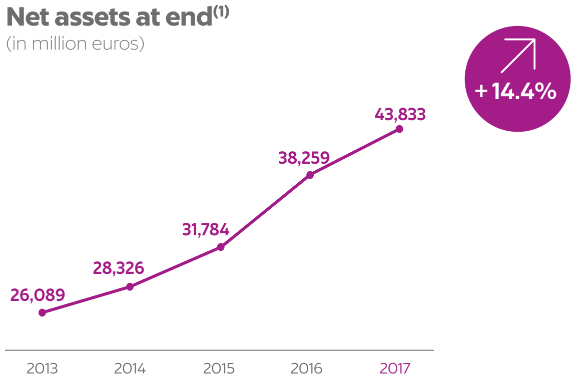
Total number of vehicle contracts
(in thousands)



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

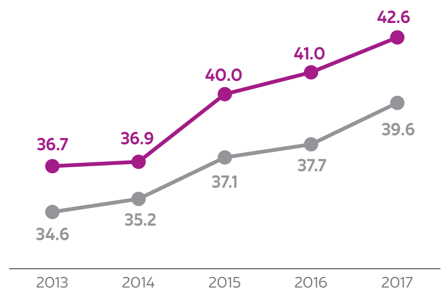


Net assets at end[1]
(in million euros)



(1) Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

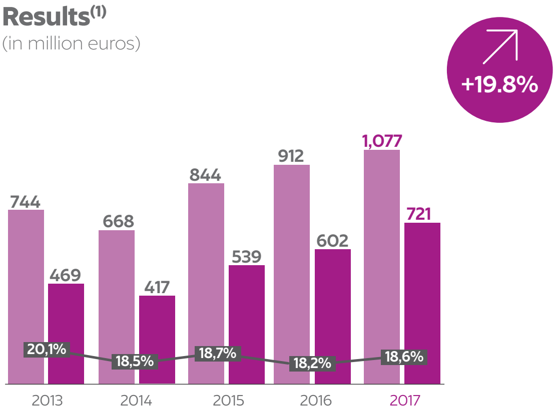
Penetration rate all brands
(percentage of registrations)



PR RCI Group excluding EAC[1] PR RCI Group

(1) E.A.C : Excluding Equity-Consolidated (Turkey, Russia, India)

Results[1]
(in million euros)



Pre-tax income
After-tax income (parent company shareholders' share)
Return On Equity (ROE)[2]

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

(2) ROE 2014 excluding non-recurring items (-€77m).

A wholly owned subsidiary of Groupe Renault, RCI Bank and Services develops financing and service offers that make the access to the automobile easier for Alliance brand customers.

3,400
EMPLOYEES

36
COUNTRIES ON 5 CONTINENTS

6
BRANDS

42.6%
OF REGISTRATIONS FINANCED[1]

1.77
MILLION NEW FINANCING CONTRACTS

20.6
BILLION EUROS IN NEW FINANCING CONTRACTS

39.6
BILLION EUROS IN AVERAGE PERFORMING ASSETS

4.4
MILLION SERVICE CONTRACTS SOLD

1.63
BILLION EUROS IN NET BANKING INCOME

1,077
MILLION EUROS IN PRE-TAX INCOME

14.9
BILLION EUROS IN COLLECTED DEPOSITS

(1) 42.6 % : new vehicles of the Alliance / registrations new vehicles of the Alliance. Scope : RCI Bank and Services excluding equity-consolidated.

A new direction


W·819·JE

Message from **Clotilde Delbos**

Chairman of the Board of Directors

I have no doubt that this performance will continue and that the transformation will be a successful one.

The automotive sector is on the verge of new disruptions. Technology is changing constantly, onboard services and mobility services are developing, and cars are becoming electric, connected and autonomous. The banking sector is also subject to numerous disruptions, and FinTechs are changing our relationships with banks.
At the same time, digitalization stands as a challenge for RCI Bank and Services, as it does for all companies, calling for us to review the way we work, for example by leveraging on artificial intelligence. These new working methods and resources are part of an increasingly demanding regulatory environment. This is particularly true in the banking sector, with RCI Bank and Services having operated under the supervision of the European Central Bank since January 2016.
As bank of a global carmaker, RCI Bank and Services is at the heart of all these developments, and we all see these changes as real opportunities.

A captive finance company is an undeniable asset for a carmaker. Studies have shown that it contributes to the development of brands, but above all to the carmaker's loyalty and image. RCI Bank and Services is backed by all the Alliance brands and is in contact with the end customer. This is an ideal position to elaborate new services. With RCI Bank and Services, we have a perfect testing ground. The company has the size and agility to work together with start-ups, draw on the best they have to offer, and develop mobility and service platforms to the benefit of the Alliance.

The true strength of a company lies in its employees, especially at a bank, where there is little or no intellectual property, only systems and people. To succeed in this new environment, RCI Bank and Services has robust strengths, stemming entirely from its employees. They have successfully kept their spirit of initiative and creativity that underpins the responsiveness of the bank in the front of all these challenges. Numerous initiatives have been launched in the past few years to collect the ideas of all employees, allow them to defend those ideas and develop them when they make sense. Our second strength is our culture of performance, which is the DNA of the employees of RCI Bank and Services. This is reflected in the record results achieved over a number of years in terms of sales and financial performance. Lastly, the financial expertise of our employees and the close attention we pay to compliance in all our operations constitute a major strength for Groupe Renault and the Alliance.

I regularly visit different countries where the Alliance is present and I have the opportunity to meet with RCI Bank and Services teams almost everywhere. Each time I am glad to see vitality, clear desire to contribute, cooperation between the teams and considerable acknowledgement on the part of Renault on the teams of RCI Bank and Services. I have no doubt that this performance will continue and that the transformation will be a successful one. But we need to remain vigilant and ever more innovative, since small structures are emerging fast and other large banks have their eyes on our highly profitable market. It is up to RCI Bank and Services to develop relationships between services and the vehicle itself so as to remain the privileged contact point for customers and, if possible, the only such contact, quite simply because it is the best.

Editorial by **Gianluca De Ficchy**

Chief Executive Officer

Maintaining the highest performance levels is our number-one challenge.

We achieved strong performance once again in 2017.

In a context of strong business momentum on the part of the Alliance brands, RCI Bank and Services posted remarkable results across the board, with a further increase in the penetration rate to 42.6%*, 320,000 used vehicles financed and 4.4 million services sold. We achieved a record amount of new financing contracts of €20.6 billion, and average performing assets totalled €39.6 billion, up 19% in 2016. Combined with the optimal control of risk and our operating costs, these performances generated net banking income of €1,628 million, up 10.6%. Lastly, Return or investment hit a high of 18.6%.

This performance was not achieved in just a single year. All these indicators have been improving continuously at consolidated level since 2013 and in a uniform manner in all regions. Our organic growth vindicates the sales strategy developed with the Alliance brands, which are harnessing financing not just to boost profitability but also to increase sales. The favourable interest rate environment reduced resource costs and facilitated promotional deals on financing, reinforcing the sales performance of our offers.

Three acquisitions embody our new mobility road map.

In 2017, we took a majority stake in Karhoo, a taxi and ride-hailing comparison platform, and acquired Marcel, a ride-hailing reservation platform, and Yuso, a dispatch management platform for the real-time management of taxi and ride-hailing fleets. These are three essential building blocks for the development of the mobility projects central to the strategy of the Alliance.

42.6%
PENETRATION RATE EXCLUDING SMES

4.4 million
SERVICES SOLD

€1,077 M
IN NET INCOME

* Excluding Equity-Consolidated (Turkey, Russia, India)

> **Acquire the knowledge, technologies and skills necessary to support the Alliance in the roll-out of its mobility projects.**

Strengthened by these assets, we are launching the new vision of RCI Bank and Services.

We believe in personalized services to open access to mobility for all. We are engaged to innovate faster to serve our customers better.

Practically speaking, we need to propose customized services to bring each person a needs-adapted mobility solution. Customers remain the focus of our attention and innovation a tool for best responding to their needs. RCI Bank and Services has initiated a major transformation. We are shifting from an activity long focused on cars and financing to an activity focused on new usages and customized services.

Our strategic priorities are driven by automobility.

Our company is at the service of the Alliance brands and our strategic plan ties in with Renault's "Drive the Future" plan and Nissan's "M.O.V.E. to 2022" plan. Consequently, we have identified three areas in which to support the development of the brands.

RCI Bank and Services is first and foremost a finance company, a profitable tool for sales and loyalty.

We achieved top-level performance across all fields. Maintaining the very highest performance levels is our number-one challenge. We also need to continue optimising our business model, achieve a level of excellence and seize all opportunities to make still more progress.

It is in services that RCI Bank and Services has achieved the strongest growth. We sold 4.4 million services in 2017 compared with 2.1 million in 2014. Until now, we have developed the sale of services in a traditional manner. Most of them are sold when customers buy a vehicle at a dealership with financing. We have taken little advantage of other opportunities for selling services, with or without financing, not just in the network but also via other channels. Winning over these potential new customers implies the creation of new products and the implementation of a multi-channel strategy. This is our second strategic focus.

Our third strategic focus is becoming an operator of mobility services. In the last two years we have been testing new solutions with B2B activities to acquire the knowledge, technologies and skills necessary to support the Alliance in the roll-out of its mobility projects. RCI Bank and Services will be continuing its efforts in this respect.

We are involving all employees in our transformation.

In recent years we have developed a culture of sales and financial performance in each sector and at each subsidiary, and we have succeeded thanks to the people at RCI Bank and Services.

Our challenge today is to adapt to the new mobility needs of Alliance customers. We need all our businesses to focus on customer satisfaction and we need to transform while maintaining top-level performance. This means establishing a closer relationship with and a deeper understanding of the end customer, as well as showing greater agility in the development of simple and affordable solutions. Because in the future, it will be customers who define the products they want to buy. The will to transform and the involvement of employees are the keys to our success.

We have provided the necessary resources for a successful transformation. First of all, by investing in working spaces adapted to the new needs of employees. We needed a hub in the centre of the Parisian ecosystem, so we moved into our new headquarters on rue d'Uzès in the second arrondissement. We have relocated or redesigned our offices in Spain, Italy, Germany and the UK. We have recruited on a vast scale and invested in new companies, the digital transformation and the modernisation of systems.

RCI Bank and Services has everything it needs to succeed. The commitment of our employees is commensurate with the challenges, as shown in our latest survey* with a commitment rate of 75%. All of this gives me the greatest confidence in the ability of RCI Bank and Services to become a benchmark in automobility at the service of the Alliance.

The will to transform and the engagement of employees are the keys to our success.

* Hays Group survey carried out in late 2017 with all the employees of RCI Bank and Services.

75%
EMPLOYEE ENGAGEMENT RATE

Governance

The Board **of Directors**

Clotilde Delbos
Chairman of the Board of Directors

Farid Aractingi
Vice President Audit, Risk & Organisation, Groupe Renault

Gianluca De Ficchy
Chief Executive Officer

The Executive **Committee**

A workforce committed to the success of RCI Bank and Services' strategy.

Left to right:

Jean-Philippe Vallée
Vice President, Customers and Operations

Umberto Marini
Vice President, Information Systems

Alice Altemaire
Vice President,
Accounting and Performance Control

Jean-Marc Saugier
Vice President, Finance and Group Treasurer

Gianluca De Ficchy
Chief Executive Officer

Patrick Claude
Vice President,
Company Secretary and Chief Risk Officer

Hélène Tavier
Vice President, Human Resources

Enrico Rossini
Vice President, Sales and Marketing

Thierry Koskas
Executive Vice President,
Sales and Marketing,
Groupe Renault

Isabelle Landrot
Vice President,
Asia-Pacific Control,
Groupe Renault

Bernard Loire
Managing Director,
Nissan France

Stéphane Stoufflet
Vice President, Insurance
& Specific Operations,
Groupe Renault

A time of **transformation**


EVlink

Optimizing **performance**

By making our offers more accessible, boosting the loyalty of our customers and developing our performance on high-potential markets and services, we are continuously optimising our business model to support Alliance brand sales on a lasting basis. These efforts are underpinned by our major sources of performance, above and beyond sales financing for retail customers. We need to continue attracting new professional customers and contributing to the sales of used vehicles, and we also need to bring all our customers innovative and customized solutions, notably through the functionalities now available on connected cars.

The remarkable sales performance of RCI Bank and Services in 2017, together with the highly positive results of the Alliance brands, was achieved in a dynamic and fast-changing automotive sector. For us, these major changes all constitute growth opportunities and performance drivers. These include the high-potential market of vehicle fleets and the corresponding tracking services, the strong increase in used vehicle sales – a segment that remains to be conquered – and the considerable development of the rental market for retail customers, the distribution channels of which are changing. But optimizing our performance also hinges on a major paradigm shift: switching from a car-centric approach to a customer-centric approach. This requires the development of other services, focused more on mobility than on vehicles, for example through stand-alone services or additional services via new digital channels. It also involves harnessing the new functionalities of connected cars to collect and analyse data – on costs, consumption and driving behaviour – with a view to developing bespoke services that are increasingly personalized and efficient.

Developing other services, focused more on mobility than on vehicles.

Achievements

RCI Bank and Services continues to better adapt its offers and grows its performance around the world.

ITALY

Driving growth with customized digital campaigns

By refining its customer segmentation via its new CRM* platform, RCI Bank and Services in Italy increased its insurance services sales by 11.5% in 2017 compared with 2016.
With the platform, the subsidiary is able to better target its offers. It is also developing customized multi-channel campaigns and communicating in a relevant and regular manner with all of its customers.
In addition, the teams have gained in autonomy and accuracy, enabling them to provide customers with the right offer at the right time. As a result, the time taken to market a new offer can be reduced by a full 50%. And the match between the offer and the customer profile has enabled the Italian subsidiary to improve its conversion rate by 3%.

+11.5% insurance services sales

**Customer relationship management*

MOROCCO

RCI Finance Maroc creates three new offers to better target its main prospects

In 2017, RCI Finance Maroc developed a more customer-centric approach by creating new offers better adapted to the needs of its priority retail customer, shopkeeper and self-employed tradespeople and craftspeople prospects.
In 2018, it is readying to launch three new financing offers:

- «Turnkey», for customers seeking financing with no down-payment;
- «Free financing», for those looking for low monthly payments;
- «Balloon» (with a purchase option), for customers with a small down-payment and seeking reasonable monthly payments.

The offer could be adjusted every month to adapt to the models sold and types of customers.

Optimizing **performance**

FRANCE

ClaD: analyzing customer data for more adapted offers

With the ClaD project, our French subsidiary DIAC is able to make more refined analyses of its customer data, gaining an efficient tool for determining operational information with a view to better responding to customer expectations. For example, in 2017, our teams, working with those at Renault, harnessed this analysis to adapt the financing offer for Twingo. The amounts of monthly payments and down-payments were adjusted to correspond to the real-life expectations of potential buyers. The highly relevant new offer has contributed to an increase in Twingo sales.

+12%
UV sales in 2 months

33%
insurance penetration in 2017

RUSSIA

Casco: an insurance offer for penetrating the Russian market

In Russia, customers subscribing to a financing contract generally take out a comprehensive insurance policy. In 2017, RN Bank scored an insurance penetration rate of 33% (compared with 0% in 2013) thanks to an innovative strategy rolled out since 2014. RN Bank started by launching a mini Casco offer with more limited insurance coverage but including the total loss of the vehicle. With Mini Casco, customers were thus able to obtain financing at a reduced price. RN Bank then enhanced its insurance programme with a full Casco offer that can be packaged with financing. RN Bank has also implemented a claims management system guaranteeing the return of customers to the after-sales network of the Alliance brands.

IRELAND

RCI Banque Ireland contributes to the sales of Renault and Dacia used vehicles

The Renault Selection label guarantees the quality of the used vehicles sold in the Renault and Dacia networks in Ireland. To support the launch, RCI Banque Ireland developed a financing offer with the most attractive rate on the market. At 1.7%, including a two-year warranty and assistance, it offers retail customers true flexibility. And it has proved successful, with used vehicle sales increasing 12% year on year in September and October 2017, compared with the same period in 2016. The initiative demonstrates RCI Bank and Services' determination to support the carmaker in the high-potential used vehicle market. In Europe alone, used vehicle sales totalled 13 million in 2016, outselling new vehicles by three to one.

+25.4%
services sales versus 2016

GERMANY

Telemarketing: nearly 22,000 new insurance service contracts signed

To boost the sale of services for customers with a financing offer, our teams in Germany have introduced a new telemarketing system. The subsidiary's sales of services via telemarketing increased 25.4% year on year in 2017 compared to 2016. The two main keys to success are carefully selected service providers and a simplified customer journey. Customers can conclude their contracts in complete simplicity by telephone, using voice recording technology.

ITALY

New connected services for an optimal and customized management of professional vehicle fleets

For a four-month period, RCI Bank and Services gave its professional customers in Italy the opportunity to try out a range of connected services free of charge. The services included Bulbthings, a dashboard, allowing fleet managers to check data on the running costs of their vehicles. Another service: managers can monitor data on geolocation and driving behaviour (such as vehicle use hours, fuel consumption and mileage) via a special platform. This last service was made possible through a partnership with Octo Telematics, a global leader in telematics services. Devices used for data transfer and analyse are fitted on vehicles with a view to rating the driving style of each driver. Drivers are encouraged to improve their behaviour thanks to a mobile app. The results of the test were positive. Fleet managers were able to better control their costs and drivers improved their on-road behaviour and, hence, their safety. The interest of customers was measured at the end of the four-month period and RCI Bank and Services will be proposing these bespoke and customized services to customers in the future.

FRANCE

MY Z.E. BATTERY: for transferring battery rental contracts from one customer to another in just a few clicks

In response to growth in the used electric vehicle market, the EV teams at RCI Bank and Services have worked together with Renault to design the MY Z.E. BATTERY customer space for the management of battery rental contracts. Secure, easy to use and 100% digital, the new space enables motorists selling an electric vehicle to transfer their battery rental contract to buyers.

The process is simple: the seller enters the buyer's contact details in their secure personal space. The buyer is then invited to connect to their own space and fill in their information. Using a simulator, the buyer chooses the battery rental offer of their choice, signs it electronically and uploads the necessary documents. Once the sale is finalized, the customer simply downloads the sales certificate. The new space is a win-win solution, with RCI Bank and Services optimizing its customer service and securing the collection of contracts and customers benefiting from a simple and efficient solution.

My Z.E. BATTERY has been available in Belgium since October 2017.

And **tomorrow?**

We achieved an outstanding sales performance in 2017.

Enrico ROSSINI
VP, SALES AND MARKETING

How would you describe RCI Bank and Services' sales performance in 2017? What drove the performance?

We posted an exceptional sales performance in 2017. It was driven by positive sales indicators, an extremely strong performance in new vehicle contracts, a sharp rise in the last three years in used vehicle contracts (up 16% year on year) and an over 27.0% increase in the sale of services, whether corresponding to financing or on a stand-alone basis. The highly positive performances of the Renault and Nissan brands – and the synergies we have unlocked with them – also enabled us to increase the volume of our sales transactions.

What were some of the big changes in the retail market in 2017? What kind of new services and related benefits does RCI Bank and Services intend to develop to meet the new expectations of its customers?

Three major changes are afoot. First, the significant increase in the share of rental products, the flexibility and duration of which are major tools for strengthening the loyalty of our customers. Second, the arrival of long-term leasers, previously focused on professional customers but now also addressing retail customers, is leading to changes in distribution channels, which are opening up to banks and supermarkets. In response, we need to devise ideas for dealerships so as to safeguard their role in the customer journey and develop new, targeted and more flexible offers. Third, the development of connected vehicles is revolutionizing our business model and leading us to package new services, analyse the data collected and their impact, and adopt an innovative sales approach.

What transformations are you seeing in terms of fleet vehicles? What kind of impact are they having?

Our customers are looking for tools for analizing vehicle use and driving behaviour. Real-time fleet tracking can be used to make estimates of maintenance and consumption costs. It also provides precise information on driving behaviour, so managers are able to estimate the overall cost of their fleets. Using this information, companies can implement management systems for drivers to help them adopt more frugal driving styles and keep vehicle wear down.

What will be the share of stand-alone in RCI Bank and Services' strategy on the sales of services?

Until now, sales and services for our customers went through the dealership network, with services and insurance policies proposed to customers when buying a vehicle. We are now extending our customer potential by exploring three sources. First, the portfolio of customers who we finance, by proposing additional services. Second, customers who we haven't financed but who have purchased a Renault or Nissan vehicle in the dealership network, to whom we can propose special products to further boost their loyalty to the Alliance brands. Third, prospects for the peer-to-peer sale of used vehicles, with whom we would like to play a role by offering them other services.

+16%
USED VEHICLE FINANCING CONTRACTS

+27.0%
SERVICES SOLD IN 2017

Optimizing the performance of our business activities is one of the pillars of the company's strategy. What are the impacts of this culture of performance for the teams?

The switch to an agile culture is already under way among our teams. With each new day we learn from our best practices and from our failures, and we are learning to test solutions, to react and readjust our services in line with the experience of our customers. We have posted four years of sales growth, with new and used vehicles alike. This culture of success, through the quest for «super targets», is thus already part of our DNA. Our challenge in the future will be to safeguard this culture of performance across our long-standing business scope and harness its success to simultaneously add a spirit of innovation and curiosity to our DNA, the desire to pick up the pace and explore new business activities. I am confident in our ability to succeed on both fronts.

The era of **the customer experience**

Simple, customized and flexible, the service expected by our customers is becoming more and more demanding. To deliver that service, we listen to them actively and bring them more segmented offers and tailored customer journeys. Being customer-centric is a priority for each one of us, around the world.

Our achievements in 2017 reflect deep-seated changes that impact our market and consumers. Our teams are learning to work with more agility in relationship with their ecosystem and above all by listening closely to our customer and prospects, whether retail or professional. Using the social media, the annual Voice of Customer survey, dialogue with our partners, our sales teams and customer service departments, we are pinpointing new consumer expectations and the needs to which we must respond.

And we have taken numerous successful initiatives, from the development of apps and the digitalization of subscription processes in South Korea to the enhancement of promotional or service-based communication channels and the development of customizable offers and services. These initiatives are spreading and inspiring each one of our subsidiaries. Innovating to improve the customer experience serves to boost our growth and our brand image. Our aim is to enrich the experience of all the customers of the Alliance brands.

All our actions must serve to transform the company and make it customer-centric.

Achievements

RCI Bank and Services developed a number of services, notably digital, in 2017 to make the customer experience easier and more seamless.

FRANCE

Privileged customer spaces with the DIAC and Nissan Finance clubs

The DIAC and Nissan Finance clubs launched in October 2016 enable each customer with a financing contract to access their customized space 24/7. The idea is to combine pleasure with... pleasure. Each customer can manage their contract electronically and benefits from exclusive deals and advantages from our partners (culture, leisure, tourism, home, etc.).
Accessed via smartphones and tablets, the DIAC and Nissan Finance clubs have proved a big success with users, having attracted nearly 105,000 visitors in 2017 alone. Through this top-quality relational program, DIAC has also successfully met its objective of carrying out 30% of customer operations on line, having doubled that rate compared with 2016.

RN Bank – the first finance company to offer a mobile payment app in Russia

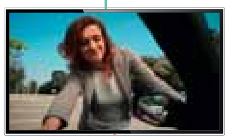
RUSSIA

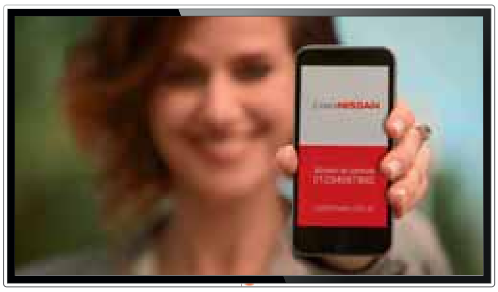
Employing a test and learn approach over a six-month period, our Russian teams developed an app for Renault, Nissan, Infiniti and Datsun customers. Available on Apple Store and Google Play since November 2017, the app enhances and simplifies the customer journey. Customers can check their payment schedule, receive bank statements and directly contact their customer service.
Monthly payments can be settled in one of three ways, either on line, by automatic debit, or – through the geolocation of the nearest partner – in cash, a customary practice in the Russian market. In addition, for each on-time payment, customers amass points entitling them to exclusive advantages. The app has been well received by Alliance brand customers, having been downloaded nearly 25,500 times by end-December 2017.
Since February 2018, RN Bank customers have also been able to take out an insurance policy directly using the app.

BRAZIL

Customized welcome videos for an enhanced customer experience

Since December 2017, each new customer of Banco Renault and Credi Nissan Banco taking out a contract has received a two-minute video the day after summarizing the content of their contract. This innovative new feature, designed by Banco RCI Brasil, has won over Brazilian customers, with over 3,000 videos having been sent in one month, each one watched 1.7 times on average. The welcome videos have also reduced the number of calls received by the call centre concerning basic questions and led to an increase in customer space subscriptions.





BRAZIL

Successful online reservation campaign for Renault Kwid

RCI Bank and Services supported the strategic launch in Brazil of Renault Kwid with a 100% digital and secure online reservation and e-payment system. The customer journey was designed to be as seamless, simple and transparent as possible and was inspired by the best market practices. The results: four times more reservations than expected and RCI Bank and Services' financing offer pre-approved for 80% of reservations. After new ZOE in October 2016 and Alpine Première Edition in December 2016, this is the third time that RCI Bank and Services has supported the carmaker in its e-payment strategy.

SOUTH KOREA

A mobile-first strategy

A true all-in-one app, Kakao has changed the lives of users in South Korea.
Thanks to what was initially a simple free SMS app, they can now book a taxi, make purchases on line, order flowers or programme a route, among other things. Kakao Bank has been granting car loans since mid-2017, all of them via mobile devices. To adapt to the new environment, in 2017 RCI Financial Services created its own Kakao page, an effective solution for generating qualified traffic on its site, since visitors are pre-identified using their Kakao profile.
In 2018, RCI Financial Services will be launching a dedicated chatbot via text messaging to answer the most frequent questions asked by its customers. The subsidiary also plans to develop a 100% online approval system by using Kakao-based customer identification and voice recognition, used extensively in South Korea.

RCI Connect: an ultra-customized app and innovative services

ANY PLACE, ANY TIME

With the RCI Connect app, each customer can manage their financing contract, insurance and services in complete ease via their customized space. But RCI Connect is taking things further by bringing customers exclusive offers, gamification campaigns, bespoke advice and new services such as parking space geolocation. These new features have proved particularly successful with customers in the UK, where downloads of the app rose by over 300% in the second half of 2017.

SPAIN

Ultra-customized customer space through advanced segmentation

Each customer is unique. Well aware of that fact, RCI Bank and Services España has created an ultra-customized space to create a unique relationship with each one of its customers. It does so by making preliminary segmentations on the basis of age, personal situation and professional status. The new space can be used to propose financings and services adapted to their expectations as well as exclusive advantages negotiated with partners (well-being, leisure, travel, etc.). To take things further, RCI Bank and Services España launched a gamification campaign. The initiative attracted new customers and gained the loyalty of existing customers, with the number of visits to the page increasing four-fold in just one month.

8.3/10
average customer rating

Roll-out of global Voice of Customer programme

Listening to what our customers have to say is vital if we are to understand their expectations, measure their satisfaction and improve their experience. This is why we organized online surveys and *focus* groups in nearly a third of our operating countries in 2017. In all, over 30,000 customers responded. Asked to score RCI Bank and Services from 0 to 10, our customers gave us an average satisfaction rating of 8.3, with 56% of customers "Extremely satisfied". In addition, more than half of them would recommend RCI Bank and Services to friends and family. The results are highly encouraging.

The main expectations of customers are to build a personalized relationship with the company, be acknowledged and appreciated, and enjoy a top-quality relationship with our customer service throughout their journey.

And **tomorrow?**

In 2018 we will continue to move forward on digital technology, particularly for the network, which plays a key role in the customer experience.

François Guionnet
Managing Director, DIAC

Is the success of «bespoke» products a sign of changing customer expectations, with greater flexibility and responsiveness and more services?

This is a deep-seated trend for all our customers, one that we expect to grow even stronger. Retail customers are attracted to our financing offers and the corresponding services. Their satisfaction rate is four times higher than that of customers making their purchases outright, and, according to our latest survey, 90% of customers having taken out an Easy Pack offer in 2015 intend to renew it. For corporate customers, we recently launched Easy Loc Pro, a set of basic services that can be topped up with three further solutions. The objective is to cover all the needs of professional customers other than key accounts, with a view to offering the most adapted offer to each type of customer.

How important is digital technology in the customer experience of the future?

The digital customer journey has become vital, as demonstrated by the DIAC and Nissan Finance Clubs. Through these clubs, the rate of customer operations carried out on line has reached 30%, having more than doubled in one year. They bring our customers a positive experience. They can access online services and special offers from partners in a single space, all with a high-quality customer journey. These clubs have already attracted 120,000 regular visitors out of a total portfolio of 500,000, which leaves us with plenty of room for progress. In 2018 we will continue to move forward on digital technology, particularly for the network, which plays a key role in the customer experience. We will be launching a site containing videos and sales tutorials on our offers, a portal summarising our business relationship and a mobile app for sending salespeople information on our latest promotions in real time.

Pierre-Yves Beaufils
Managing Director - RCI Financial Services Korea

How do South Koreans consume today?

70% of the population has a smart phone, all generations combined. And South Koreans mainly communicate via texts. Calling a customer is seen as intrusive, almost impolite. So when people want to order a taxi, buy flowers, pay for a service or plan a route, they use Kakao, an app that is being continually enriched with new services. Paper is on the way out, even for signing contracts. The digitalization of signatures is permitted by regulation. And the country has independent offices that run checks on the identity and solvency of customers.

With over 50% of the country connected to Kakao, it was vital for RCI Bank and Services to be present on this app.

What are you doing to respond to their expectations?

Kakao has become a key entry point. More and more of our competitors are present on the app. To create traffic on our site, we have created a page for accessing our services on the app. We are currently developing other services to improve the experience of our customers. For example, a chatbot will soon be responding to our customers' most frequently asked questions by text *via* Kakao Talk. We are also digitalizing the entire process for subscribing to our offers. This is vital for stepping up our development. And because everything here is going digital, dealerships themselves are reinventing. Things move fast here. South Koreans are remarkable developers and extremely advanced on digital technology. This is an excellent opportunity for testing new services that we can then implement in other parts of the world.

Actively listening to their expectations and rolling out customized services are both vital to forging the trust and loyalty of our customers.

Carlos de la Torre
Managing Director,
RCI Bank and Services España

What initiatives are you taking to focus more closely on your customers in Spain?

To launch offers and services that correspond more closely to their expectations, we have rolled out a system to monitor and actively listen to what our customers have to say. Using the social media and their customized spaces, we collect and analyze all of our customers' comments and commit to responding to any questions they may have. To supplement our analysis, we also led three satisfaction surveys as part of the Voice of the Customer programme coordinated by the Corporate teams at RCI Bank and Services. Lastly, we have reorganized our Customer Care department teams for the optimal and personalized monitoring of each one of our customers.

And in the future? What kind of services will you be launching to enhance the experience of your Spanish customers?

We have chosen to broaden our communication resources with our customers to offer them the most suitable channel for each one of their operations.
We will notably be favouring dialogue via text messaging and WhatsApp, for example to notify them that their contract is being finalized or inform them of a change in regulation that requires action on their part.
But it is also important to monitor the relationship on a customized basis. From now on, each customer contacting our call centre is handled by a single advisor. And customers will soon be able to see their advisor, as we are launching video calls to create a closer relationship. We are also going to introduce mobile signatures. Our sales staff will visit customers directly with a tablet for them to sign their contract. This innovation will make life easier for fleet customers in particular. Remote signatures will enable customers to finalize the implementation of their contract via a simple code received by text message or email.

Changing **usages**

Car ownership is becoming less and less important for customers, and young customers in particular. In response to this trend and the emergence of new technologies, RCI Bank and Services is pursuing its investments to develop new automobility services.

Through its long-standing close relationship with Alliance customers, RCI Bank and Services has always successfully adapted to changes in their usages and brought them adapted offers, including lease financing and long-term leasing back in the early 2010s. Today, these offers account for over 50% of our new financing contracts in Europe. Companies also need to comply with new legal requirements. In France for example, companies with over 100 employees are now required to draw up a mobility plan to favour the use of alternative means of transport rather than individual cars. Cities, too, will be required to develop alternative mobility solutions to reduce pollution and congestion in existing infrastructures.

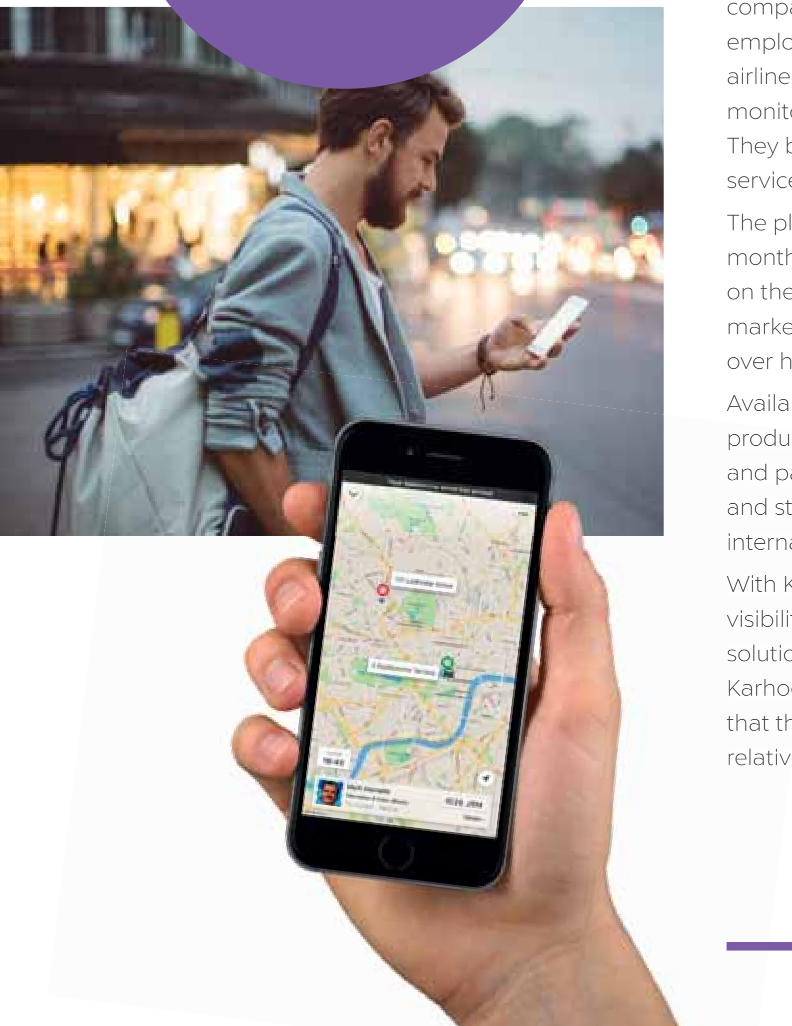
In 2017 RCI Bank and Services rolled out new offers in response to these new challenges with the aim of becoming a mobility services operator.

RCI Bank and Services is shifting from a car-centric business to an activity focused on the new usages of its customers.

Achievements

RCI Bank and Services is exploring new mobilities and investing to create mobility solutions consistent with the new usages of its customers. These last are now looking to use cars without necessarily owning them. They are turning increasingly to carsharing solutions or ride-hailing services. Meanwhile, our corporate customers are seeking to optimize the use of their fleets by pooling them between employees. Local authorities are also looking to optimize the use of vehicles for themselves and their users. This is why RCI Bank and Services has been developing integrated, innovative and tailored mobility solutions in the last two years. The acquisitions made in 2017 underscore the company's ambition to become a leading mobility operator on the B2B market.

175,000 taxis and ride-hailing vehicles already available worldwide



KARHOO

Mobility as a service is today's key trend in urban mobility. Consumers want to get from A to B easily with plenty of choice and transparency. With the relaunch of Karhoo, RCI Bank and Services is pursuing its goal to become a B2B mobility services operator and bring businesses simple, attractive and customized automobility solutions. Karhoo, which RCI Bank and Services is the majority shareholder, brings together taxi and ride-hailing companies on a single, integrated reservation platform. Company employees and the customers of agents (booking platforms, airline companies, etc.) around the world can use Karhoo to book, monitor and pay their rides in real time.
They benefit from an extensive choice of vehicle fleets and services.

The platform is able to handle up to ten million transactions a month. Some 175,000 vehicles are already available worldwide on the Karhoo platform, making it a major player in the B2B2C market. Karhoo now has 75 employees (up from just two in 2016), over half of them working in the new technologies department.

Available as a «white label», Karhoo generates gains in productivity and savings for businesses. They now have a booking and payment platform that gives them the possibility to automate and standardize the trips of their employees or customers at international level.

With Karhoo, taxi and fleet companies benefit from powerful visibility with new users as well as comprehensive management solutions for the bookings and transactions of their customers. Karhoo also brings them access to leading-edge technology that they can harness to make progress and remain competitive relative to major businesses with technological resources.

WELCOME TO MARCEL!

An alternative ride-hailing platform through its service quality and sustainable aspect

In August 2017, RCI Bank and Services invested in Marcel, a ride-hailing reservation platform in the Ile-de-France region with 1,300 drivers and having already attracted 100,000 customers. Marcel ranks as the pre-booking leader in France, with 78% of its rides ordered in advance. It is recognized for the quality of its customer service with a satisfaction rate of 97%.

Marcel is also a socially responsible company. The start-up has a voluntary carbon offsetting policy for each kilometre driven and fosters eco-driving among its drivers as well as the use of electric vehicles.

Lastly, a full 40% of the rides organized in 2017 by Marcel were for business travel, consistent with the B2B mobility strategy of RCI Bank and Services.

OPEN INNOVATION

Successful carpooling test for RCI Bank and Services and the start-up Karos

In June 2017, Groupe Renault, NUMA and their partners, including RCI Bank and Services, launched CityMakers, an open innovation programme focused on the transition to more flexible and sustainable urban mobility. RCI Bank and Services took part in the challenge aimed at simplifying the use of the various means of transport used in a journey in Ile-de-France.

RCI Bank and Services joined forces with the start-up Karos, the leader in short-distance carpooling, to determine the palatability of short-distance carpooling and intermodal travel to its employees. For ten weeks, some 50 employees tried out the Karos app. The results proved highly encouraging, with 24 minutes and €6 in purchasing power saved on average per trip. In addition, 50% of the employees received at least five carpooling proposals a day. The collaborative effort with Karos has brought RCI Bank and Services a better understanding of carpooling and intermodal travel issues.

An automated fleet management solution

YUSO

As part of its determination to contribute to the development of automobility – and smart cities – in August 2017, RCI Bank and Services acquired Yuso, an automated fleet management solution for taxis, ride-hailing vehicles and delivery services based on dispatch management system technology. In ride hailing, urban transport firms are already using the solution to optimize their fleets, by calculating in real time the routes of their customers and the availability of their drivers. In the long term, RCI Bank and Services plans to place this innovative technology at the service of the Alliance brands.

And **tomorrow?**

Our aim is to bring innovative and tailored mobility solutions to all the customers of the Alliance brands.

Henry Gascuel
CHIEF INNOVATION OFFICER
RCI BANK AND SERVICES

How is RCI Bank and Services responding to its customers new mobility needs?

In 2017, we pursued the development of our RCI Mobility subsidiary in synergy with the Alliance brands. RCI Mobility offers carsharing solutions to businesses in order to facilitate the travel needs of their employees. Some 2,000 vehicles, over 80% of which as part of the Renault MOBILITY programme, are now available 24/7 *via* a mobile app in France. This offer will be rolled out in Europe in 2018. With Karhoo, we are making life easier for businesses. We now provide them with a global solution for simplifying the processes involved in the management and invoicing of employee business travel around the world. We have also acquired Yuso, a dispatch management technology available to mobility operators enabling them to apportion rides in real time and optimize the management of their fleets. Lastly, the sustainable approach of Marcel and its substantial proportion of corporate customers make a perfect match with our B2B strategy.

Why have you chosen to work with the start-up ecosystem? What are your main takeaways?

To remain on the leading edge of the latest technologies and innovate continuously, RCI Bank and Services has chosen to develop an ecosystem outside the company as part of an open innovation approach. In 2017, we worked with renowned partners such as the Techstars Paris accelerator, the CityMakers open innovation program, and 500 Startups. By doing so, we identified high-potential players in new mobilities and connected services. Our teams working on these projects were able to test and adopt new working methods that are more agile and innovative.

People are talking increasingly about «Mobility as a Service». What does this involve for RCI Bank and Services?

Mobility as a Service (or MaaS) is the ability to combine all the mobility offers available in a given geographical area on a single interface. This brings users a customized and seamless service from booking through to the payment of their trip.

These trips often combine different modes of transportations, public, private or shared. This deep-seated trend vindicates our strategy to open up to external partnerships. For example, as part of CityMakers we tested an intermodal mobility solution with the start-up Karos to gain a better understanding of the issues involved. In the future, all our offers will need to be embedded in the applications developed by Alliance brands as well as those of external partners.

What role are cities playing in the development of tomorrow's mobility solutions? How are you working with them?

They are essential. Major cities around the world are becoming increasingly mindful. Road network congestion in Paris increased by seven points between 2008 and 2016. A full 32% of greenhouse gas emissions in Ile-de-France are related to road transport. Our role is to support cities by sharing our expertise and a common set of urban mobility solutions that can be adjusted to their needs. This is what we did with the City of Paris as part of the CityMakers experimentation.

How will you be supporting the Alliance in its new mobilities strategy between now and 2022?

Tomorrow's cities will be «smart» and vehicles will become an integral part of cities. Our aim is to bring innovative and tailored mobility solutions to all the customers of the Alliance brands. With our recent acquisitions, we will be able to deliver on-demand services for B2B and B2C customers and position ourselves as a provider of services for mobility professionals. These two strategic focuses are key building blocks for the development of mobility projects central to the strategy of the Alliance.

In the future, all our offers will need to be embedded in the applications developed by Alliance brands as well as those of external partners.

The choice of **an open culture**

The choice of an open culture illustrates our determination to adapt to changes in our environment by completing a transformation at our company. To do so, we are developing more innovative working methods to accelerate projects and integrating new skills.

Our business is to facilitate mobility for all. The digital revolution is transforming the expectations of our customers and new operators have moved in to the market. Internally, our teams are changing, too. This is particularly true of new generations, well versed in digital technology and accustomed to working in collaborative mode. They want to share a vision while developing their autonomy and their sense of initiative. Our internal environment is also changing. To move faster and propose new offers and services, we are working more and more with start-ups. These new players have new working methods that our employees need to understand. For all these reasons, we are rethinking our practices and changing our culture.

Our Human Resources transformation plan initiated in 2016 is based on an open culture, a strong commitment to openness. The challenge consisted in observing what was being done elsewhere so as to create a new spirit of innovation and more «customer-centric» working methods. The company needs to take inspiration from new ideas from the outside and discover new talents. It has also become vital to foster the emergence of a digital culture across the company as part of a collaborative work environment that encourages proactiveness among all individuals.

This approach has been reflected in partnerships with start-ups and accelerators, special training courses, challenges with top-flight universities, and the relocation of some of our European subsidiaries to new headquarters.

Our new open culture is about embracing new working methods, ideas and talents from outside the company.

Achievements

To support the transformation, the company culture must change considerably. RCI Bank and Services is creating the conditions necessary to this cultural change.

FRANCE AND CORPORATE

Employees learn about computer coding

In September and December 2017, as part of the «Go, Learn & Enjoy» programme for raising the digital, innovation and customer-centric culture of employees, 32 staff members were trained on HTML language by the Coding Days start-up. The event gave our employees a chance to learn about website development and how to work better together with the technical teams on this type of project.

Banco RCI Brasil wins a «Great Place to Work» award

BRAZIL

In Paraná State in Brazil, our subsidiary ranked in the top 24 of the best companies to work at in its first year of participation. The ranking was based on an assessment of our employees, 82% of whom responded to the survey administered by the Great Place to Work Institute. The distinction rewards the Human Resources policy of Banco RCI Brasil and boosts its appeal to future applicants.

FRANCE AND CORPORATE

NUMA Paris: our employees at the heart of innovation

As part of the «Go, Learn & Enjoy» initiative to raise employee awareness, 181 employees visited NUMA Paris, an emblematic innovation venue that supports tech entrepreneurs, start-ups and companies to develop their projects. During each of the 13 visits, employees were able to find out more about NUMA Paris' approach and activities (coworking, accelerator, Open Innovation programme, etc.) and meet with some innovative «accelerated» start-ups.
The fruitful learning experience helped the staff members to gain a firmer grasp of digitalization challenges, open up to new approaches on collaborative work and take inspiration from the working methods of start-ups.

UK

New offices fostering synergies between the teams

In July 2017 the 300 employees of RCI Financial Services moved to new offices on the same site as the Renault and Nissan teams in the Maple Cross area of London.
The objective is to generate synergies with the carmakers and foster collaborative work spaces to boost dialogue and create a cheerful atmosphere.

Our aim is to embody our ambition to be an innovative bank with close relationships with its customers in our new work environment. Its design favours interactions between our teams and the carmakers, as well as the well-being of employees.

Aurea Maestre, HRD
RCI Bank and Services España

SPAIN

RCI Bank and Services España joins the Renault España teams

In late July 2017, the 160 employees of RCI Bank and Services España joined the Renault España teams at the Avenida de Europa business park north of Madrid. The functional and digitalized work spaces were designed to foster team work and informal and friendly dialogue.

A new corporate headquarter in Paris

> The move serves to increase dialogue with the carmakers and helps us to lead shared projects. The new work environment, bearing the colours of RCI Bank and Services, favours the creativity and well-being of employees.

Rachel Overland, HRD
RCI Financial Services

EUROPE

ESCP Europe: a mobility challenge focused on under-30s

Some 100 Master's in European Business students from four ESCP Europe campuses (London, Paris, Madrid and Berlin) were given two months to develop an automobility product or service for people aged under 30 that is both innovative, relevant and high value added. Ranging from carsharing and carpooling to pay as you drive and pay how you drive, all the projects in competition placed the emphasis on new forms of mobility. The qualitative and quantitative studies led by the students showed that young drivers are looking for flexible and environment-friendly digital offers. At the conclusion of the grand final pitting the winning teams of each campus against each other, the team from London won the challenge with the «Turnkey» project, a mobile app for carsharing over a three - to twelve-month period – an as yet unfilled market segment.

CORPORATE

The corporate headquarter moves to Paris

As part of its transformation, RCI Bank and Services has relocated its Corporate activities to rue d'Uzès in Paris, the centre of a combined ecosystem of the banking, insurance and net economy businesses.

Following ten months' preparation, on 22 January 2018 some 300 employees moved to a freshly renovated building featuring a mix of Haussmann style and industrial architecture. The light-flooded building is home to open, cheerful and collaborative work spaces propitious to communication, cross-functionality and team work.

And **tomorrow?**

Hélène Tavier
VP,
HUMAN RESOURCES,
RCI BANK AND SERVICES

An open culture enables us to take inspiration from ideas and solutions having proven their worth outside our company.

In your opinion, what changes afoot today influenced the implementation of a transformation plan?
We are determined to develop – and at an ever brisker pace – innovative, connected and customized offers and services that facilitate access to mobility. This has an impact on our mindset, our working methods, our physical organization system and the way we manage talents and skills. An open culture enables us to draw on ideas and solutions with proven success outside the company. Our business culture is also more focused on the customer, their experience, new usages and mobility in the broad sense of the word. It is a powerful approach with each employee fully involved.

This open culture is a mindset...
We are developing a customer-centric spirit fuelled by innovation and creativity. Each person has a role to play. It isn't just about implementing our processes; it is about being proactive, communicating needs, contributing ideas, learning and adapting constantly. For managers, this entails sharing a vision, providing meaning and helping to empower each employee. It is also a strong focus in our recruitment policy, as we want to attract new talents as well as «entrepreneurial» individuals. Because the world is changing fast. We have to test our ideas with users quickly, learn to not always seek perfection and accept the right to make mistakes, all as part of a test-and-learn approach. It is a real change. We are looking to initiate more projects that can be «pivoted» along the way to better respond to our needs and that can be discontinued if they fail to meet our expectations. The objective for us all is to address the needs of end customers as closely as possible.

Internally, what are some of the emblematic projects of this open culture?

Our project to develop a digital, innovation and customer-centric culture, «Go, Learn and Enjoy», run by employees for employees, promoted the digital passport (with 650 of the 760 participants obtaining the passport). We have also started up new training courses, with visits to incubators (13 visits to NUMA Paris for 181 employees) and digital training workshops (89 workshops for 240 employees). Through our partnership with the start-up Coding Days, 32 employees have been able to understand computer coding. We are readying for the launch of the «Spark» programme in the UK, France and South Korea. Some 150 employees will learn how to transform an idea into a real-life project in just three days using methods inspired by the start-up sector. The winning projects will then be incubated in our ecosystem.

Does this open culture also involve adopting new work spaces?

At places such as NUMA Paris, employees have discovered a stimulating, creative and collaborative environment that facilitates new working approaches. This also inspired us in the design of our premises in Paris, home to numerous screens, an innovation lab dedicated to Open Innovation, the Factory (a project space) and coworking areas. We have gravitated toward the start-up ecosystem and are at the halfway point from the Renault and Nissan carmakers. As part of the same approach, we have changed our premises in Malta, Spain and the UK and renovated our offices in Germany. We will pursue these changes at other RCI Bank and Services subsidiaries. Our employees appreciate these initiatives. In Germany for example, our employee satisfaction rate has increased 20 points, from 50% to 70%.

In 2018 and on to 2022, how will this open culture be strengthened?

We will continue to be a learning company, cultivate a digital, innovation and customer-centric culture among employees, and pursue the development of cross-cutting projects as well as «intrapreneurship» by transforming initiatives into real projects.
We will treat our employees as we do our customers, by adapting our tools to their expectations to build a stimulating work environment. To do so, we will be organizing *focus* groups to improve the company's services and create an ever closer bond and more cross-functionality between employees.
We will also be continuing our annual internal satisfaction survey, the results of which were extremely encouraging in 2017. A full 91% of employees responded on a voluntary basis, with the commitment rate rising from 73% to 75% and the «enablement» rate increasing from 66% to 69%, reflecting a true «I want to and I can» approach. We are going to develop a new training portal, upgrade our employee path and rethink the integration process for new recruits.
A number of projects are in store and will be rolled out at all our subsidiaries.

Robust **bases**


RENAULT


FRAGILE

Performance **consolidated in 2017**

For RCI Bank and Services, a strategic financial partner to the distribution networks of the Alliance, 2017 was marked by robust results in its two main markets, Customer and Dealer. Among its principal achievements, RCI Bank and Services substantially increased average performing assets, reduced the cost of risk to a historically low level and considerably grew net banking income.

Substantial growth in average performing assets

A result of the strong sales *momentum* in 2017, average performing assets (APA) now stand at €39.6 billion, up 19.0% compared to 2016, having risen more in 2017 than in the three previous years.

With regard to the last year, average performing assets increased in all Regions, with Europe posting the largest gains.

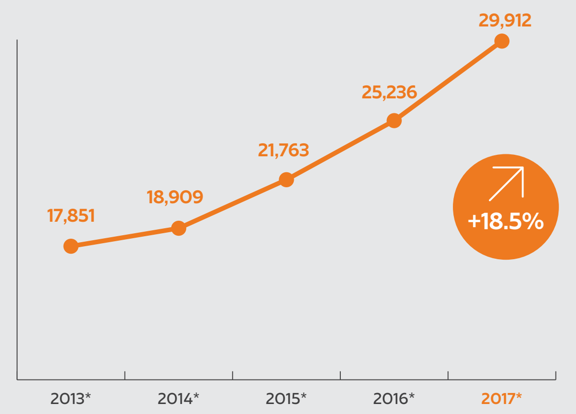
Of the total, €29.9 billion is directly related to the customer activity, up 18.5%, a direct result of the sales performance on new and used vehicles.

Of particular note was the impressive performance of our Colombian subsidiary, which for its first year of consolidation, contributed for more than €200 million in average performing assets.

Once again in 2017, the automotive market grew across the operating scope of network financing, with a particularly strong increase in the Americas Region. Against this backdrop, the brands posted considerable growth, with Renault up 6.7% and Nissan up 4.4%, across all regions, and with a return to growth in Brazil.

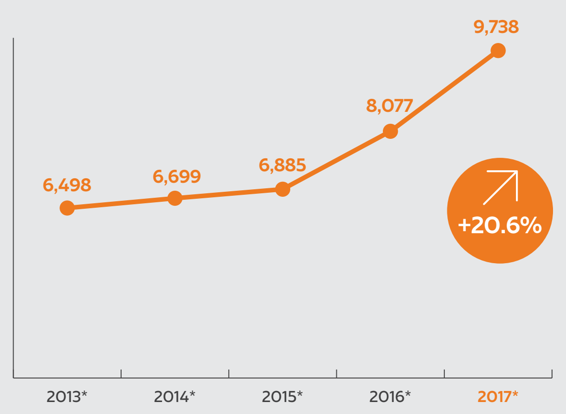
The network financing activity increased by nearly 20.6% to €9.7 billion, stemming from a sharp rise in the registrations of the brands in RCI Bank and Services' operating countries. The growth in Alliance brand sales had a favourable effect on the profitability of the dealers.

Customer average performing assets(1)
(€ million)



(1) Average loans outstanding, including operational leasing business

Dealer average performing assets(1)
(€ million)

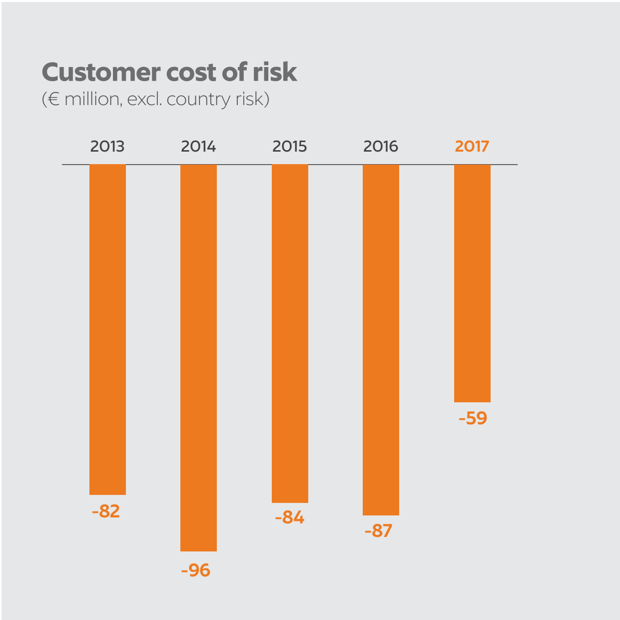


(1) Average loans outstanding

Cost of risk down to a record low level

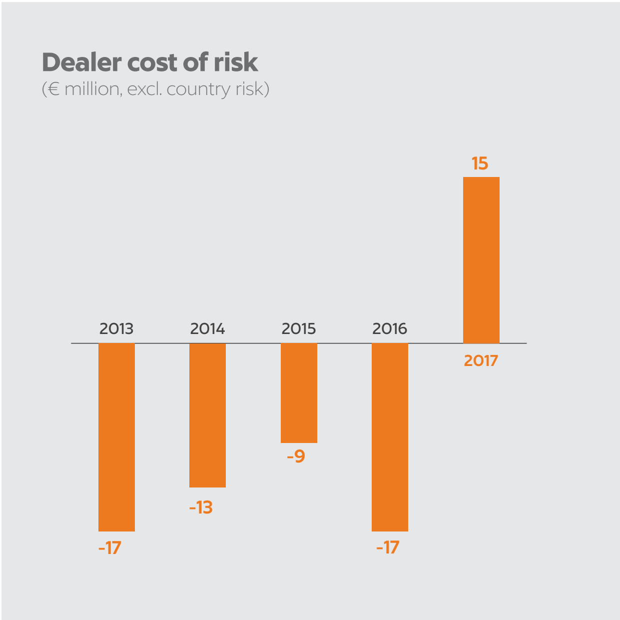
Against the backdrop of sales growth, the cost of risk hit a record low of 0.11% of average performing assets, compared with 0.31% in 2016. The performance resulted in particular from the improved economic environment.

Fuelled by a favorable economic climate leading to a drop in the stock of doubtful loans in the portfolio, the customer cost of risk fell to 0.19% of APA in 2017 against 0.33% in 2016.



The improvement in the economic environment, a variable used in calibrating provisions on sound dealer outstandings, also led to reversals of provisions on the dealer financing portfolio. The net cost of risk was thus negative (income), coming to -0.15% of APA at end-2017 against 0.21% in 2016.

Consequently, 2017 saw a reversal of provisions of €15.0 million, also owing to a 28% decrease in doubtful assets related to financial restructuring transactions carried out with the dealers and carmakers.



Financial support for the Alliance Distribution Networks

By providing the distribution networks of the Alliance brands with needs-adapted solutions, RCI Bank and Services stands as a true financial partner.

RCI Bank and Services provides financial support to the distribution networks of the Alliance brands in 29 countries.

This role involves several tasks, including ensuring and maintaining the good financial health of the Alliance distribution networks in all countries, and managing, monitoring and controlling the financial risk of the dealerships in full independence.

29
COUNTRIES
OPERATING SCOPE
OF DEALER CREDIT

Committed to financing essentials

The idea is to finance the essentials of the Alliance dealerships so as to ensure their long-term future: stocks of new and used vehicles, spare parts, short-term cash requirements, restructuring loans, etc.

To optimize its partnership, RCI Bank and Services develops digital services and tools to make the day-to-day lives of distributors and customers easier.

Strengthened international development

RCI Bank and Services continued to expand internationally in 2017.

In Turkey, the financing of new vehicle stocks of the Renault brand – an activity launched in late 2016 – was fully rolled out in 2017 at 66 dealerships, representing outstandings of €120 million at end-December 2017.

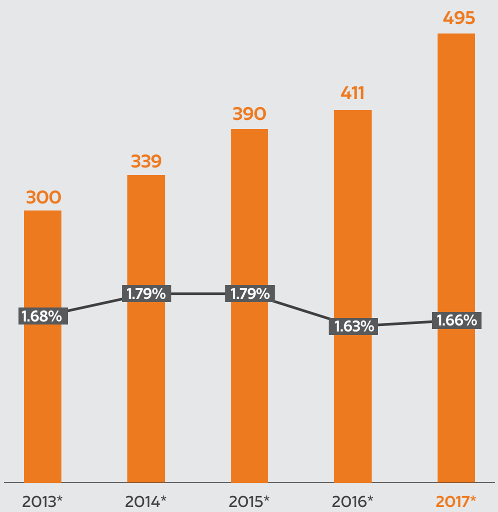
Three carmaker projects were also initiated in second-half 2017 to introduce the Dealer financing business in three countries in first-quarter 2018: Lada in Russia, Mitsubishi Motors in the Netherlands and Nissan in Argentina.

Increase in net banking income

As a key strategic partner to the Alliance brands, RCI Bank and Services posted record activity in services in 2017, with the margin on these last equal to 30% of the share of net banking income (NBI). NBI thereby increased 10.6% compared with 2016, to €1,628 million in 2017. This increase is attributable to the combined growth of the financing business (19.0% growth in average performing assets) and the services business (up 20.5% on 2016).
Net banking income expressed as a percentage of APA came to 4.11% (compared with 4.41% in 2016).
This decrease is attributable to the falling proportion of outstandings held by the Americas Region as a result of growth in Europe and to the increase in risk provisioning on residual values in the United Kingdom.

Margin on services

(€ million and as a % of customer APA[1])



(1) Average performing assets.

Profitable growth **around the world**

RCI Bank and Services improved its profitability once again this year and successfully continued its international expansion.

Passenger car and light commercial vehicle market		Financing penetration rate RCI Banque (%)	New vehicle contracts (thousands)	New financing contracts excl. cards and personal loans (€m)	Net assets at end of year(1) (€m)	of which customer net assets at end of year(1) (€m)	of which dealer net assets at end of year (€m)	Average performing assets (€m)	Net banking income (€m)	Pre-tax income (€m)
Europe	**2017**	**43.3%**	**1,318**	**17,061**	**39,028**	**28,785**	**10,243**	**35,105**	**1,314**	**854**
	2016	41.5%	1,197	15,175	33,934	24,408	9,526	29,574	1,192	731
o/w Germany	**2017**	**44.1%**	**184**	**2,739**	**6,808**	**5,333**	**1,475**	**6,265**	**212**	**145**
	2016	39.9%	155	2,196	5,871	4,402	1,469	5,207	184	127
o/w Spain	**2017**	**54.2%**	**161**	**1,870**	**4,207**	**3,279**	**928**	**3,627**	**115**	**83**
	2016	52.4%	139	1,611	3,426	2,656	770	2,965	95	65
o/w France	**2017**	**46.7%**	**455**	**5,815**	**13,315**	**9,606**	**3,709**	**11,736**	**336**	**196**
	2016	44.4%	425	5,270	11,632	8,253	3,379	10,136	346	184
o/w Italy	**2017**	**60.0%**	**196**	**2,769**	**5,264**	**3,960**	**1,304**	**4,608**	**111**	**66**
	2016	57.7%	163	2,168	4,251	3,156	1,095	3,491	72	33
o/w the UK	**2017**	**29.1%**	**129**	**1,803**	**4,787**	**3,897**	**890**	**4,651**	**100**	**57**
	2016	33.5%	146	2,132	4,548	3,635	913	4,356	106	66
o/w other countries	**2017**	**31.1%**	**193**	**2,065**	**4,647**	**2,710**	**1,937**	**4,218**	**440**	**308**
	2016	29.2%	170	1,797	4,206	2,306	1,900	3,419	388	256
Asia-Pacific (South Korea)	**2017**	**57.4%**	**72**	**1,095**	**1,561**	**1,541**	**20**	**1,469**	**63**	**43**
	2016	52.3%	70	1,014	1,400	1,389	11	1,200	54	36
Americas	**2017**	**38.8%**	**190**	**1,644**	**2,637**	**2,049**	**588**	**2,543**	**212**	**141**
	2016	37.7%	139	1,084	2,377	1,925	452	2,090	190	119
o/w Argentina	**2017**	**35.9%**	**54**	**388**	**499**	**344**	**155**	**435**	**59**	**43**
	2016	33.6%	42	291	379	289	90	284	55	39
o/w Brazil	**2017**	**37.8%**	**111**	**1,041**	**1,880**	**1,498**	**382**	**1,908**	**139**	**94**
	2016	39.7%	96	793	1,998	1,636	362	1,806	136	80
o/w Colombia	**2017**	**51.6%**	**25**	**215**	**258**	**207**	**51**	**200**	**14**	**4**
	2016	-	-	-	-	-	-	-	-	-
Africa - Middle-East - India	**2017**	**21.8%**	**53**	**253**	**416**	**331**	**85**	**369**	**23**	**15**
	2016	18.2%	43	224	389	321	68	331	23	11
Eurasia	**2017**	**26.7%**	**138**	**552**	**191**	**179**	**12**	**164**	**15**	**24**
	2016	24.7%	115	437	159	149	10	117	12	15
Total RCI Banque group	**2017**	**39.6%**	**1,771**	**20,604**	**43,833**	**32,885**	**10,948**	**39,649**	**1,628**	**1,077**
	2016	37.7%	1,564	17,933	38,259	28,192	10,067	33,313	1,472	912

(1) Net assets at end: net total outstandings + operational lease transactions net of depreciation and impairment.
Sales activity indicators (penetration rate, new contracts, new financing) include companies accounted for under the equity method.

Europe

+1.9
point*

- 1,317,739 new vehicle contracts
- 43.3%: financing penetration rate
- €39,028m: net assets at year-end

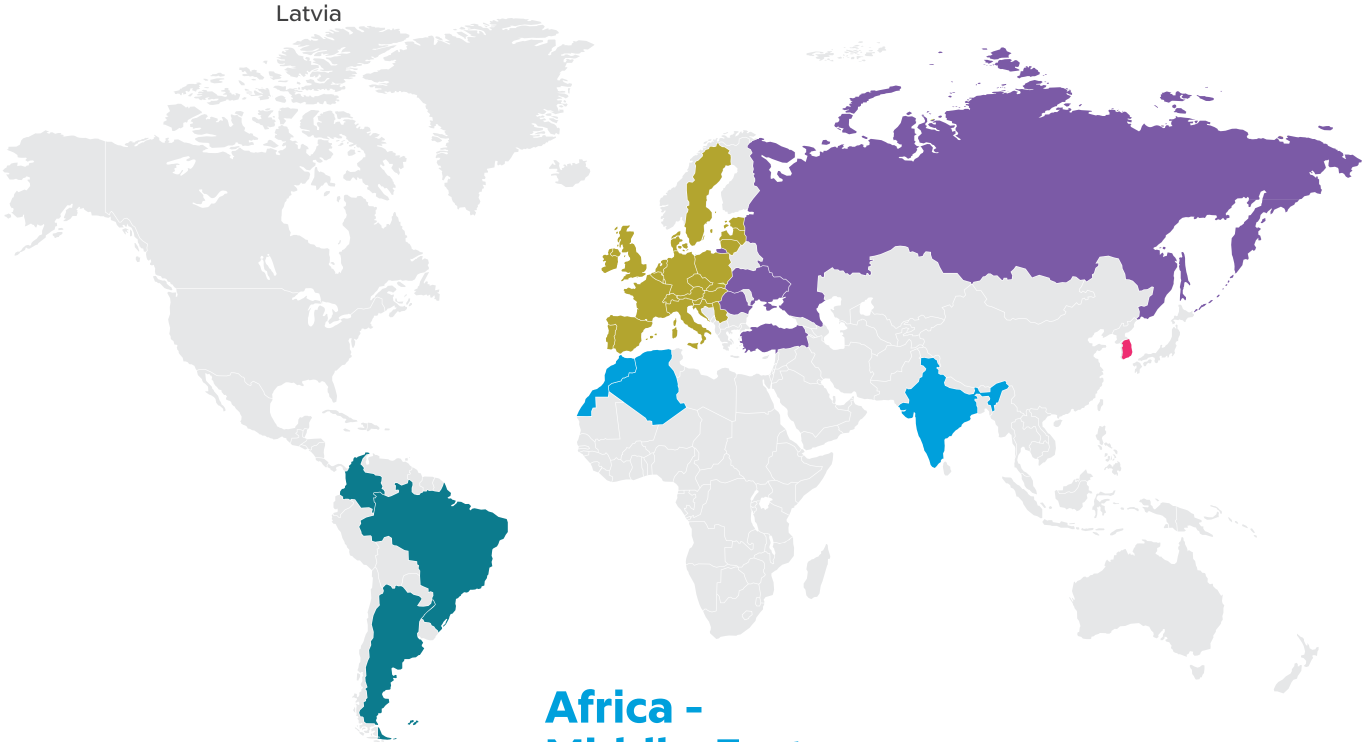
Austria
Belgium
Croatia
Czech Republic
Denmark
Estonia
France
Germany
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Netherlands
Poland
Portugal
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom

Eurasia

+2
points*

- 138,078 new vehicle contracts
- 26.7%: financing penetration rate
- €191m: net assets at year-end

Romania
Russia
Turkey
Ukraine



Americas

+1.1
point*

- 190,333 new vehicle contracts
- 38.8%: financing penetration rate
- €2,637m: net assets at year-end

Argentina
Brazil
Colombia

Africa - Middle-East - India

+3.7
points**

- 53,012 new vehicle contracts
- 21.8%: financing penetration rate
- €416m: net assets at year-end

Algeria
India
Morocco

Asia - Pacific

+5
points*

- 71,854 new vehicle contracts
- 57.4%: financing penetration rate
- €1,561m: net assets at year-end

South Korea

*Financing penetration rate 2016 / 2017
**Excluding India

Financial and CSR reports




Financial policy

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

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

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

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

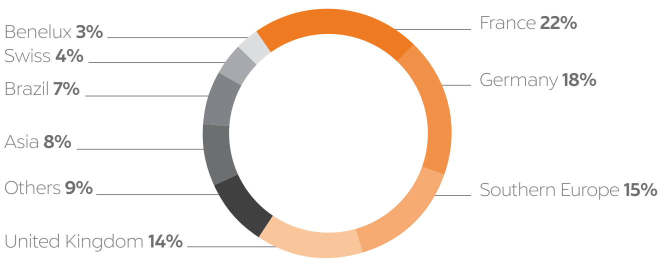
After widening slightly at the start of the year, credit spreads tightened substantially following the French elections.

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

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

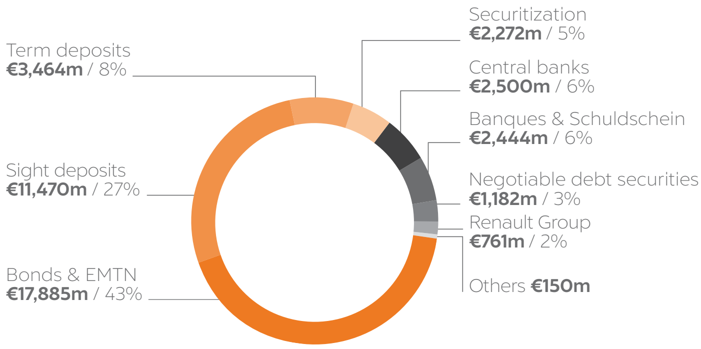
Geographical breakdown of new resources with a maturity of one year or more

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



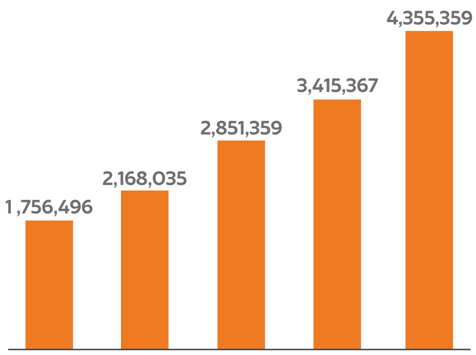
Structure of total debt

as at 31/12/2017



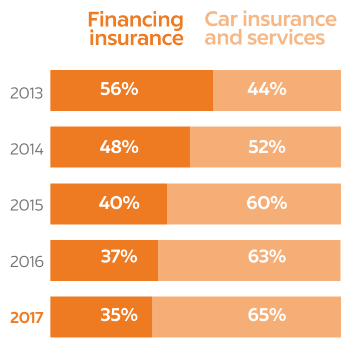
Service contracts (in number)

as at 31/12/2017



Service mix (as a %)

as at 31/12/2017



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

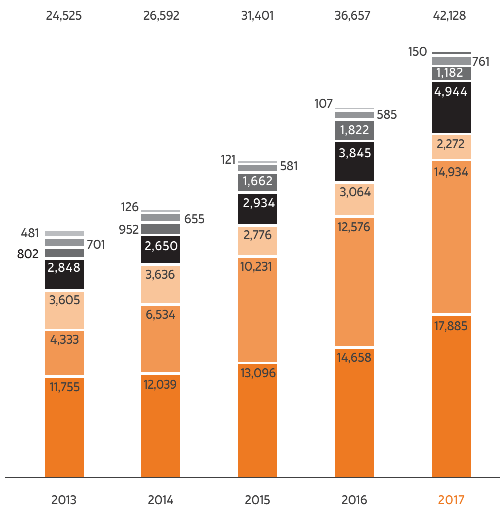
In addition, the group's entities in Brazil, South Korea, Morocco, Argentina and, for the first time, Poland, also tapped their domestic bond markets.

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

These resources, to which should be added, based on the European scope, €4.4 billion of undrawn committed credit lines, €3.6 billion of assets eligible as collateral in ECB monetary policy operations, €1.8 billion of high quality liquid assets (HQLA) and €0.4 billion of financial assets, enable the group to maintain the financing granted to its customers for about twelve months without access to external sources of liquidity.

In a complex and volatile environment, the conservative financial policy implemented by the group for a number of years proved especially justified. This policy protects the commercial margin of each entity while securing the refinancing required for its business activities.
It is defined and implemented at a consolidated level and applies to all sales financing entities within the group.

Changes in the structure of total debt (in million euros)
as at 31/12/2017



The strength of the group's balance sheet is also evidenced by very low market risks (interest rate, currency and counterparty risks), which are monitored daily on a consolidated basis.

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

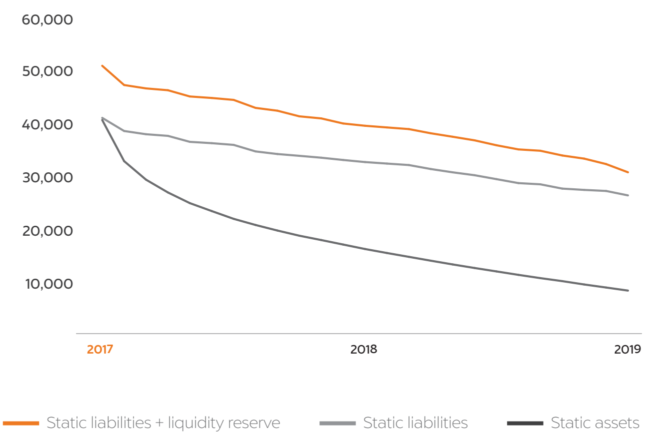
At 31 December 2017, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

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

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

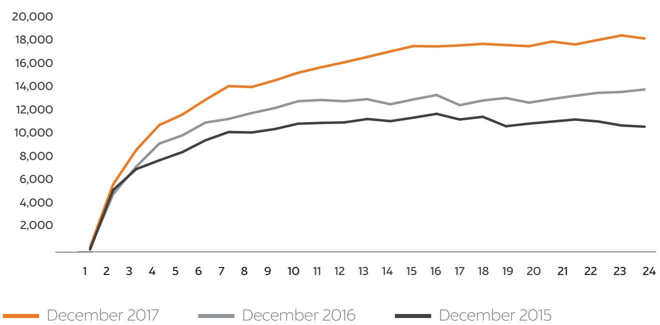
The group's consolidated foreign exchange position totaled €8.3 million.

Static liquidity position* (in million euros)
as at 31/12/2017



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

Static liquidity gap* (in million euros)
as at 31/12/2017

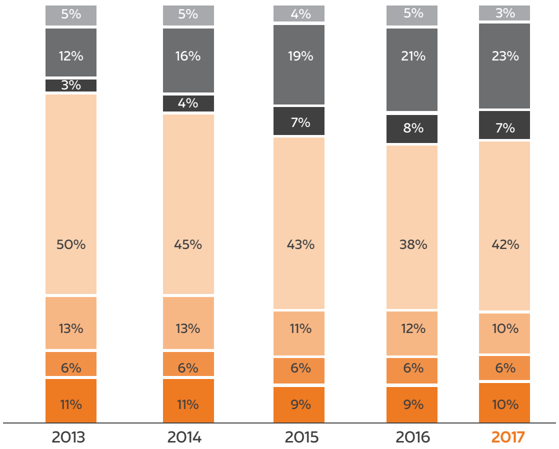


* Scope: Europe.

Financial policy

Breakdown of liabilities

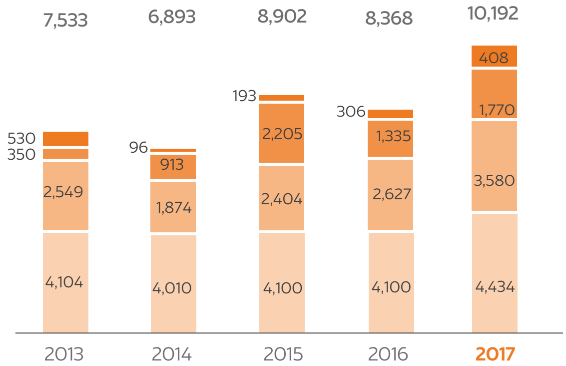
as at 31/12/2017



- Short-term debt
- Sight deposits
- Term deposits
- Senior long term debt
- Secured long term debt
- Other Liabilities
- Own equity

Liquidity reserve* (in millions euros)

as at 31/12/2017



- Financial assets (excluding HQLA)
- Liquid assets (HQLA)
- ECB-eligible assets
- Committed credit lines

* Scope: Europe.

Group's programs and issuances

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

Issuer	Instrument	Market	Amount	S&P[1]	Moody's[1]	Others[1]
RCI Banque S.A.	Euro CP Program	Euro	€2.000m	**A-2** (stable outlook)	**P2**	**R&I: A-2** (positive outlook)
RCI Banque S.A.	Euro MTN Program	Euro	€20.000m	**BBB** (stable outlook)	**Baa1** (positive outlook)	**R&I: BBB+** (positive outlook)
RCI Banque S.A.	NEU CP[2] Program	French	€4.500m	**A-2** (stable outlook)	**P2**	
RCI Banque S.A.	NEU MTN[3] Program	French	€2.000m	**BBB** (stable outlook)	**Baa1** (positive outlook)	
Diac S.A.	NEU CP[2] Program	French	€1.000m	**A-2** (stable outlook)		
Diac S.A.	NEU MTN[3] Program	French	€1.500m	**BBB** (stable outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS3.000m		**Aa1** (stable outlook)	Fix Scr: **AA (arg)** (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1.495m[4]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3.157m[4]		**Aaa.br**	
RCI Finance Maroc	BSF Program	Morocan	MAD1.000m			
RCI Leasing Polska	Bond Program	Polish	PLN500m			

(1) Ratings as at 19/02/2018.
(2) Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.
(3) Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.
(4) Outstandings.

RISKS
Pillar III

INTRODUCTION

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

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

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

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

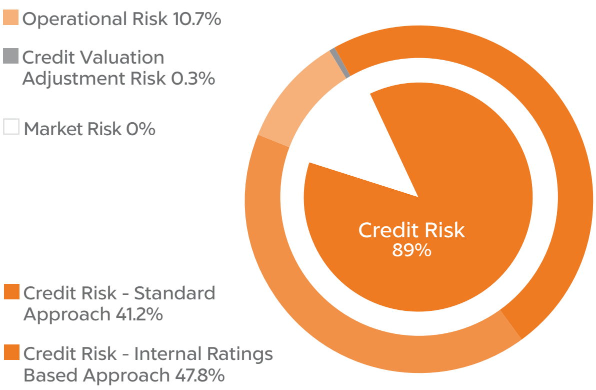
KEY FIGURES

1 - KEY FIGURES AND ROA

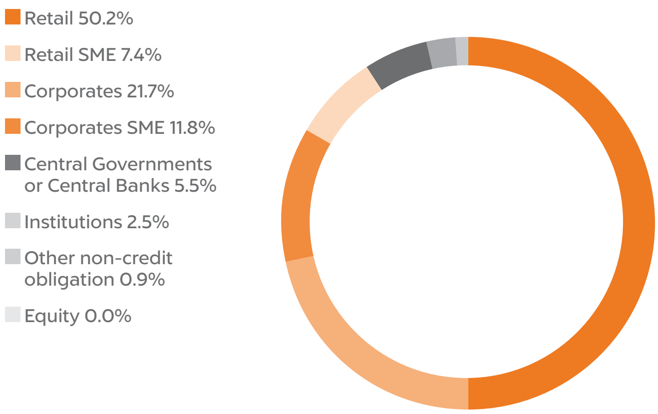
Prudential Ratios	
CET1 Phased-in Solvency Ratio	15.01%
Phased-in Leverage Ratio	8.59%
LCR - Aryhmetic Average of the past three months	220%
Return on assets[1]	1.5%

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

2 - OWN FUNDS REQUIREMENTS BY TYPE OF RISK



3 - EXPOSURE BY EXPOSURE CLASS



I - GOVERNANCE AND ORGANIZATION PRINCIPLES OF RISK MANAGEMENT

A - RISK GOVERNANCE POLICY- RISK APPETITE FRAMEWORK

RISK GOVERNANCE POLICY: KEY PRINCIPLES

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

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

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

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

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

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

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

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

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

Risk Appetite Framework

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

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

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

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

B - ORGANIZATION OF RISK CONTROL

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

- **The 1st level of control** is performed by operational staff in charge of risk management on a daily basis as part of their usual activities within the respective area of responsibility. They decide on and are responsible for risk-taking within the operations they conduct to achieve goals assigned to them. They exercise such responsibility in compliance with the risk management rules and limits set by the "Corporate" risk steering functions.
- **The 2nd level of control** comprises:
  - The "Corporate" risk steering functions (business-lines) in charge of risk definition, rules, management methods, measurement and monitoring at company level. Each department within its area of responsibility oversees the risk management process through guidelines and objectives transposed on country level. Risks are monitored at dedicated periodic committee meetings both in the local subsidiaries and at corporate level;
  - Group entity internal controllers, who check the level of transaction compliance with the management rules set out in procedures. In particular, they check the fitness for purpose of the first level of control;
  - the Risk Control Division, which;
    - Ensures the reliability of risk assessment indicators, the completeness of risk steering mechanisms for each risk and the effectiveness of such risk monitoring;
    - Ensures that risk policies are consistent with the risk appetite framework ("RAF");
    - More specifically ascertains the effectiveness of the reporting and alert escalation channels and the appropriateness of the corrective measures worked out in the event of failings;
    - Plays a key role in monitoring the compliance of the group's business practices with applicable regulations.
- **The 3rd level of control** is the internal audit function, which aims to provide RCI Banque's Board of Directors and General Management with an overview of the effective level of business operations' control and of the risk steering and management performed by the first two levels.

These three risk controlling lines report to the following committees:

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

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

THE GOVERNING BODIES

The board of directors

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

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

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

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

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

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

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

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

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

• The Risk Committee

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

• The Accounts and Audit Committee

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

• The Remunerations Committee

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

• The Nominations Committee

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

• The Strategic Committee

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

The executive committee

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

Other bodies in charge of risk assessment and control

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

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

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

C - RISK PROFILE - RISK APPETITE STATEMENT

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

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

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

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

• Maintaining high levels of profitability and solvency, which is the guarantee of the reliability of this commitment vis-à-vis the shareholder;

• A refinancing policy based on diversifying funding sources and on building up adequate liquidity reserves;

• Developing multichannel financing and services offers that ensure a continuing relationship with customers, to meet their expectations and that enhance the group's public image.

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

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

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

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

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

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

D - STRESS TESTS

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

The stress tests process includes:

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

E - REMUNERATION POLICY

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

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

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

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

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

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

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

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

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

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

For the 2017 financial year, remuneration paid by the RCI Banque group to members of the management body totaled 2,444,723 euros. RCI Banque does not award shares or stock options.

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

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

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

- The policy of spreading variable remuneration over a certain number of years shall only apply to beneficiaries eligible for variable remuneration of more than 50,000 euros.
- Depending on the amount of variable remuneration for which the beneficiary is eligible, the following rules shall apply:
  - From 50,001 euros to 83,300 euros: the amount of variable remuneration over and above 50,000 euros to which the beneficiary is entitled shall be deferred over a three-year period.
  - Over 83,300 euros: 40% of the variable remuneration shall be deferred over a three-year period.

- One third of the deferred amount may be released in each of the three years in that period provided that RCI Banque has achieved a certain level of Pre-Tax Income, expressed as a percentage of average performing outstandings.
- 50% of the amount awarded for the year following the baseline year shall be paid in cash and 50% by payment of funds into a Subordinated Term Account.
- Likewise, 50% of the amount released in each of the three years of the deferment period shall be paid in cash and 50% by payment of funds into a Subordinated Term Account.

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

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

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

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

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

II - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

A - APPLICABILITY - PRUDENTIAL SCOPE

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

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

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

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

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

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

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

II.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

In millions of euros	Carrying values in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items subject to				
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Not subject or deduction from capital
Assets							
Cash and balances at central banks	1,303	1,303	1,303				
Derivatives	123	123		123			
Financial assets AFS and other financial assets	1,287	1,143	1,143				
Amounts receivable from credit institutions	1,124	1,119	1,119				
Loans and advances to customers	43,430	43,764	43,883				-119
Held-to-maturity financial assets							
Current tax assets	267	36	36				
Deferred tax assets	112	87	27				60
Adjustment accounts & miscellaneous assets	1,009	1,017	1,017				
Non-current assets held for sale							
Investments in associates and joint ventures	102	149	149				
Operating lease transactions	839	839	839				
Tangible and intangible non-current assets	29	29	23				6
Goodwill	84	84					84
Total assets	**49,709**	**49,692**	**49,537**	**123**			**31**
Liabilities							
Central Banks	2,500	2,500					2,500
Derivatives	118	118		4			113
Amounts payable to credit institutions	2,444	2,444					2,444
Amounts payable to customers	15,844	16,400	20				16,380
Debt securities	21,339	21,339					21,339
Current tax liabilities	136	64					64
Deferred tax liabilities	422	422					422
Adjustment accounts & miscellaneous liabilities	1,632	1,550	-3				1,552
Non-current liabilities held for sale							
Provisions	124	124					124
Insurance technical provisions	418						
Subordinated debt - Liabilities	13	13					13
Equity	4,719	4,719					4,719
Total liabilities	**49,709**	**49,692**	**17**	**4**			**49,670**

II.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

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

II.3. Outline of the differences in the scopes of consolidation (entity by entity)

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

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

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Nissan Renault Financial Services India Private Limited	Equity method			X		Finance and services company
RCI Lizing d.o.o.	Not consolidated			X		Credit institution
RCI Mobility SAS	Not consolidated			X		Comercial society
RCI Colombia S.A. Compania de Financiamiento	Full consolidation	X				Credit institution
Bulb Software Ltd	Not consolidated			X		Comercial society
RCI COM SA	Full consolidation	X				Comercial society
Flit Technologies Ltd	Not consolidated			X		Comercial society
Class & Co	Not consolidated			X		Comercial society

B - SOLVENCY RATIO

SOLVENCY RATIO (OWN FUNDS AND REQUIREMENTS)

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

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

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

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

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

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

Total own funds exceed the "Basel I" floor.

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

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

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

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

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

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

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

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

In millions of euros	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
Breakdown by country												
Argentina	512						34			34	0.02	
Austria	650						46			46	0.02	
Belgium	405						33			33	0.02	
Brazil	1,765						112			112	0.05	
Swiss	837						58			58	0.03	
Czech Republic	248						17			17	0.01	0.50%
Germany	342	7,056					154			154	0.08	
Spain	522	3,918					179			179	0.09	
France	1,504	13,229					572			572	0.28	
Great-Britain	708	4,319					211			211	0.10	
Hungary	74						6			6	0.00	
Ireland	478						31			31	0.02	
India	30						6			6	0.00	
Italy	652	5,002					219			219	0.11	
South Korea	145	1,531					52			52	0.03	
Luxembourg												
Morocco	484						34			34	0.02	
Malta	72						14			14	0.01	
Netherlands	663						53			53	0.03	
Norway	3											1.50%
Poland	802						57			57	0.03	
Portugal	665						49			49	0.02	
Romania	198						13			13	0.01	
Russia	163						13			13	0.01	
Sweden	249						20			20	0.01	2.00%
Slovenia	229						16			16	0.01	
Slovakia	33						3			3	0.00	
Turkey	303						18			18	0.01	
Other countries	293						19			19	0.01	
Total by country	**13,029**	**35,056**					**2,037**			**2,037**	**1.00**	**0.02%**

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

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

In millions of euros	Amounts
Total risk exposure amount	29,589
Institution specific countercyclical buffer rate	0.02%
Institution specific countercyclical buffer requirement	7

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

C - OWN FUNDS

COMMON EQUITY TIER ONE ("CET 1")

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

The main prudential filters applying to the group are:

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

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

The following phase-ins are applied in 2017:

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

It should be noted that RCI Banque's Common Equity Tier 1 capital represents 99.8% of total prudential own funds at end-December 2017 and at end-2016.

Common Equity Tier 1 capital increased by €542m compared with 31 December 2016 to €4,442m, RCI Banque having included the 2017 profits and does not plan to distribute a dividend to its shareholder.

ADDITIONAL TIER 1 CAPITAL ("AT1")

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

The RCI Banque group holds no such instruments.

COMMON EQUITY TIER 2 ("CET 2")

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

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

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

II.6. Main characteristics of equity instruments

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

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

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

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

II.7. 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	1,668	26 (1) (c)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,481	26 (1)	
Funds for general banking risk		26 (1) (f)	
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
Public sector capital injections grandfathered until 1 January 2018		483 (2)	
Minority Interests (amount allowed in consolidated CET1)	7	84, 479, 480	
Independently reviewed interim profits net of any fore- seeable charge or dividend	721	26 (2)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**4,691**		
Common Equity Tier 1 capital: instruments and reserves			
Additional value adjustments (-)		34, 105	
Intangible assets (net of related tax liability) (-)	*-90*	*36 (1) (b), 37, 472 (4)*	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (-)	*-60*	*36 (1) (c), 38, 472 (5)*	
Fair value reserves related to gains or losses on cash flow hedges	9	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	-124	36 (1) (d), 40, 159, 472 (6)	
Any increase in equity that results from securitised assets (-)		32 (1)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	5	33 (b)	
Defined-benefit pension fund assets (-)		36 (1) (e), 41, 472 (7)	
Direct and indirect holdings by an institution of own CET1 instruments (-)		36 (1) (f), 42, 472 (8)	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		36 (1) (g), 44, 472 (9)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a investment in those entities (< 10% threshold and net of eligible short positions) (-)		36 (1) (h), 43, 45, 46,49 (2) (3), 79, 472 (10)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a investment in those entities (<10% threshold and net of eligible short positions) (-)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to(3), 79, 470, 472 (11)	

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
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) 258*	
of which: free deliveries (-)		*36 (1) (k) (iii), 379 (3)*	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (-)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
Amount exceeding the 15% threshold (-)		48 (1)	
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		*36 (1) (i), 48 (1) (b),470, 472 (11)*	
Empty Set in the EU			
of which: deferred tax assets arising from temporary differences		*36 (1) (c), 38, 48 (1) (a), 470, 472 (5)*	
Losses for the current financial year (-)		36 (1) (a), 472 (3)	
Foreseeable tax charges relating to CET1 items (-)		36 (1) (l)	
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
Of which: filter for unrealised loss		*467*	
Of which: filter for unrealised gain		*468*	
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	11	481	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)		36 (1) (j)	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-248**		
Common Equity Tier 1 (CET1) capital	**4,442**		
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)	

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
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			
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*		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
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			
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*		477, 477 (3), 477 (4) (a)	
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
Qualifying T2 deductions that exceed the T2 capital of the institution (-)		56 (e)	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital			
Tier 1 capital (T1 = CET1 + AT1)	**4,442**		
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	7	62, 63	
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
Public sector capital injections grandfathered until 1 January 2018		483 (4)	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
of which: instruments issued by subsidiaries subject to phase out		486 (4)	
Credit risk adjustments		62 (c) et (d)	
Tier 2 (T2) capital before regulatory adjustments	**7**		
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated bans (-)		63 (b) (i), 66 (a), 67, 477 (2)	
Holdings of the T2 instruments and subordinated bans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		66 (b), 68, 477 (3)	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			
Of which new holdings not subject to transitional arrangements *Of which holdings existing before 1 January 2013 and subject to transitional arrangements*		66 (c), 69, 70, 79, 477 (4)	

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
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (-)		66 (d), 69, 79, 477 (4)	
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regu-lation (EU) No 575/2013 (i.e. CRR residual amounts)			
Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
Of which: Own capital instruments		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
Of which: non-significant investments in the capital of other financial sector entities			
Of which: significant investments in the capital of other financial sector entities			
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regu-lation (EU) No 575/2013			
Of which: Own capital instruments		475, 475 (2) (a), 475 (3), 475 (4) (a)	
Of which: non-significant investments in the capital of other financial sector entities			
Of which: significant investments in the capital of other financial sector entities			
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
Total regulatory adjustments to Tier 2 (T2) capital			
Tier 2 (T2) capital	**7**		
Total capital (TC = T1 + T2)	**4,450**		
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)	
Of which: items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
Total risk weighted assets	**29,589**		
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.01%	92 (2) (a), 465	
Tier 1 (as a percentage of risk exposure amount)	15.01%	92 (2) (b), 465	
Total capital (as a percentage of risk exposure amount)	15.04%	92 (2) (c)	
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	1.27%	CRD 128, 129, 130	
of which: capital conservation buffer requirement	1.25%		
of which: countercyclical buffer requirement	0.02%		
of which: systemic risk buffer requirement			

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
of which: Global Systemically Important Institution (G-511) or Other Systemically Important Institution (O-SII) buffer		CRD 131	
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.51%	CRD 128	
[non relevant in EU regulation]			
[non relevant in EU regulation]			
[non relevant in EU regulation]			
Capital ratios and buffers			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (< 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the insti- tution has a significant investment in those entities (< 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
Empty Set in the EU			
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	152	62	
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62	
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	85	62	
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 after redemptions and maturities)		484 (3), 486 (2) et (5)	
Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) et (5)	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) et (5)	
Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) et (5)	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) et (5)	

D - CAPITAL REQUIREMENTS

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

II.8. Overview of RWA

In millions of euros	RWA		Min. capital requirements
	12/2017	09/2017	12/2017
Credit risk (excluding CCR)	25,676	26,612	2,054
Of which the standardised approach	*11,528*	*13,298*	*922*
Of which the foundation IRB (FIRB) approach	*254*	*169*	*20*
Of which the advanced IRB (AIRB) approach	*13,894*	*13,145*	*1,112*
Of which equity IRB under the simple RWA or the IMA			
Counterparty Credit Risk (CCR)	168	183	13
Of which mark to market			
Of which original exposure			
Of which the standardised approach	*91*	*104*	*7*
Of which internal model method (IMM)			
Of which REA for contributions to the default fund of a CCP			
Of which CVA (Credit Value Adjustement)	*77*	*79*	*6*
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk			
Of which the standardised approach			
Of which IMA			
Large exposures			
Operational risk	3,178	2,945	254
Of which basic indicator approach			
Of which standardised approach	*3,178*	*2,945*	*254*
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% RW)	568	579	45
Floor adjustment			
Total	**29,590**	**30,319**	**2,367**

E - MANAGEMENT OF INTERNAL CAPITAL

The internal capital requirement results from an assessment of the capital needed to deal with all RCI Banque's risks (Pillar I + Pillar II). It equals the floor value of capital that the group's management considers necessary to tackle its risk profile and strategy.

Capital is managed by the "Accounting and Performance Control" and "Finance and Treasury" Divisions with the endorsement of the Chief Risk Officer and Chief Executive Officer under the control of RCI Banque's Board of Directors.

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

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

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

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

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

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

F - LEVERAGE RATIO

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

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

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

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

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

II.9. Summary reconciliation of accounting assets and leverage ratio exposures

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

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

II.10. Leverage ratio

In millions of euros	
On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	49,546
Asset amounts deducted in determining Tier 1 capital	-248
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**49,298**
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	309
Total derivatives exposures	**309**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2,396
Adjustments for conversion to credit equivalent amounts	-277
Total other off-balance sheet exposures	**2,119**
Capital and total exposure measure	
Tier 1 capital	4,442
Leverage ratio total exposure measure	51,726
Leverage ratio	**8.59%**

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

II.11. Breakdown of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

In millions of euros	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	**49,546**
Trading book exposures	49,546
Banking book exposures, of which:	
- Exposures treated as sovereigns	*2 826*
- Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*55*
- Institutions	*1 131*
- Retail exposures	*27,847*
- Corporate	*16,111*
- Exposures in default	*239*
- Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1,337*

II.12. Statement of qualitative elements

Descriptions of the procedures used to manage the excessive leverage risk.	RCI Banque monitors its leverage ratio on a monthly basis and keeps the Executive Committee informed thereof. The ratio is also stated in the balanced scorecard of risks provided quarterly to the Board of Directors' Risks Committee. An internal limit has been set and a warning system has been put in place.
Description of factors having an impact on the leverage ratio during the period to which the leverage ratio disclosed by the institution refers.	RCI Banque disclosed a Basel III leverage ratio of 8.59% at the end of December 2017 against 8.63% at the end of December 2016. The ratio is stable, due to growth in exposures (mainly in Europe) in line with that of Tier 1 capital.

G - MANAGEMENT OF THE LEVERAGE RATIO

Management of the leverage ratio consists both in calibrating "Tier 1" capital (the numerator of the ratio) and adjusting the group's leveraged exposure (denominator of the ratio) to meet the 5% minimum target ratio the group has set for itself, higher than the minimum of 3% recommended by the Basel Committee.

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

III - CREDIT RISK

A - EXPOSURE TO THE CREDIT RISK

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

RCI Banque uses three risk-classification levels for receivables and writes them down on an individual or collective basis.

These classification levels are:

- Sound: No payment incident. If the status changes, a return to 'Sound' status can only occur when all arrears have been cleared.

- Incident: Payment incident less than three months for the Customers business, according to internal expert appraisal, or a statistical basis for the Wholesale business.

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

III.1. Credit risk mitigation techniques – overview

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

III.2. Total and average net amount of exposures

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

III.3. Geographical breakdown of exposures

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

III.4. Concentration of exposures by industry or counterparty types

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

III.5. Maturity of exposures

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

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

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

III.8. 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	Accumu-lated write-offs"	Net value	Credit risk adjustment charges of the period
France	234	15,773	-126	-59		15,823	28
Germany	27	7,652	-25	-19		7,636	-4
Great-Britain	25	5,339	-10	-79		5,275	-19
Italy	74	5,895	-42	-20		5,906	3
Spain	35	4,541	-27	-21		4,528	5
Brazil	54	2,141	-19	-17		2,159	22
South Korea	38	1,791	-35	-4		1,790	-9
Swiss	5	839	-3	-1		839	-1
Portugal	9	707	-3	-9		704	-1
Poland	9	867	-5	-10		860	-3
Netherland	2	697	-2	-7		690	2
Other countries	62	4,774	-33	-43		4,759	12
Total	**574**	**51,015**	**-329**	**-289**		**50,970**	**35**

III.9. Ageing of past-due exposures

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

III.10. Non-performing and forborne exposures

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

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

III.11. Changes in the stock of general and specific credit risk adjustments

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

III.12. Changes in the stock of defaulted and impaired loans and debt securities

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

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

B - CREDIT RISK MANAGEMENT PROCESS

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

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

CUSTOMER RISK MANAGEMENT

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

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

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

DEALER RISK MANAGEMENT

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

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

RETAIL CUSTOMER BUSINESS RESULTS AT THE END OF DECEMBER 2017

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

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

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

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

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

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

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

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

DEALER BUSINESS RESULTS AT END OF DECEMBER 2017

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

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

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

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

C - DIVERSIFICATION OF CREDIT RISK EXPOSURE

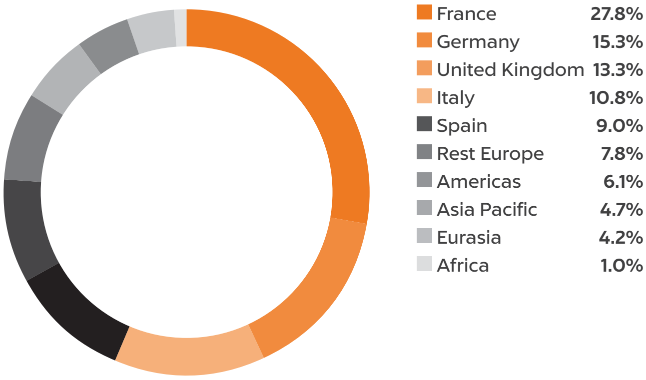
RCI's customer outstandings, which grew 18.16% to 33.5 billion euros in 2017, are spread over 25 countries (excluding India and Ukraine), and are highly represented in Europe. The percentage of G7 countries (IRB approved or pending approval for Brazil) increased to 86.8% of the RCI total in 2017 against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

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

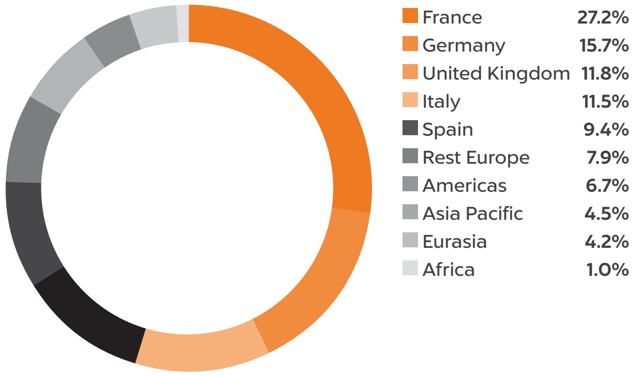
With regard to the breakdown by type of customer, individuals make up the largest share with 65% of G7 outstandings, against 34% for Corporate customers and 1% for Sovereigns.

III.13. Retail credit risk exposure

Retail 12/2016



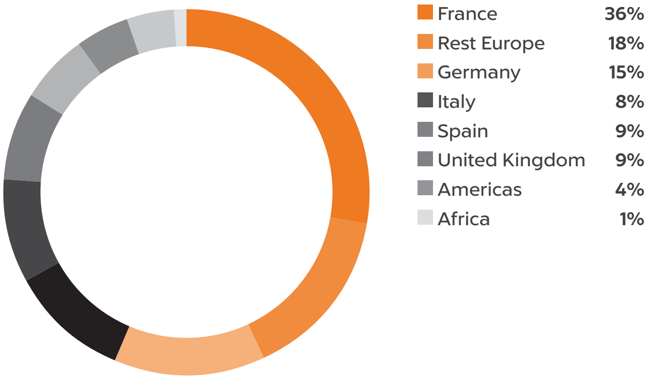
Retail 12/2017



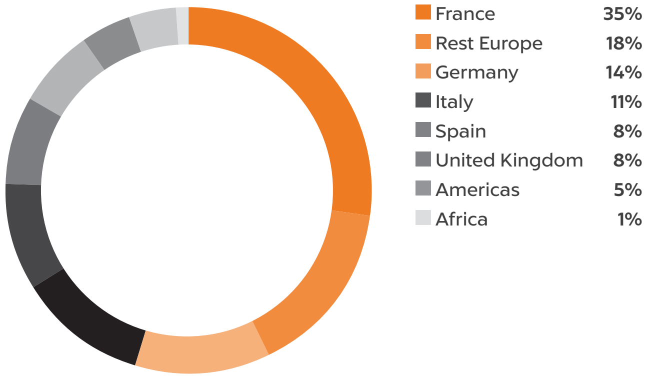
RCI Dealer (wholesale) outstandings are spread over 25 consolidated countries strongly represented by Europe. The weight of each country remained relatively stable. However, the weight of Italy, fueled by a growing market (+6.7%) and an excellent performance by Alliance brands (+13.6% for Renault and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

III.14. Wholesale credit risk exposure

Wholesale 12/2016



Wholesale 12/2017



D - RISK-WEIGHTED ASSETS

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

E - ADVANCED METHOD

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

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

a) Organization

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

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

b) Information system

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

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

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

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

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

- Sound outstandings and defaulted outstandings broken down by type of financing;
- A separation between balance sheet and off-balance sheet exposures;
- A breakdown by country;
- A breakdown by customer category (individuals, self-employed persons, small companies, medium-sized and large companies according to turnover, very big corporations and the dealership network);
- A distribution according to customer characteristics (age of the customer or company, line of business, etc.), according to the characteristics of the financing plan (initial term, amount paid up front, etc.) and according to the characteristics of the financed good (new or used vehicle, models, etc.).
- These data dimensions are also used for the monthly analysis of the management cost of risk measured using actually observed default entries and loss rates.

c) Segmentation of exposures by the advanced method

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

The average weighting rates (weighted risks/exposures) total 39% for the Retail Customer portfolio and 45% for the overall Corporate portfolio using the advanced internal rating method and 91% for the basic internal rating method.

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

III.15. IRB approach – Credit risk exposures by portfolio and PD range

In millions of euros	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Number of obligors	Average LGD	Average maturity (Years)	RWA	Densité de RWA	RWA density	EL	Provisions
Portfolio Corporates FIRB												
0.00 to <0.15	3			3	0.03%	28	45.00%	2.5	0	15.28%		
0.15 to <0.25												
0.25 to <0.50	82			82	0.35%	16	45.00%	2.5	51	62.28%	0	
0.50 to <0.75												
0.75 to <2.50	163			163	1.01%	62	45.00%	2.5	157	96.18%	1	
2.50 to <10.00	31			31	4.07%	9	45.00%	2.5	46	148.28%	1	
10.00 to <100.00	0			0	13.13%	2	45.00%	2.5	0	225.00%	0	
100.00 (Default)												
Sub-total Corporate FIRB	**278**			**278**	**1.15%**	**117**	**45.00%**	**2.5**	**254**	**91.23%**	**1**	
Portfolio Corporates AIRB												
0.00 to <0.15	272	35	100%	306	0.03%	442	39.17%	1.9	35	11.34%	0	0
0.15 to <0.25												
0.25 to <0.50	1,213	56	100%	1,232	0.34%	617	17.63%	1.3	241	19.58%	1	-1
0.50 to <0.75	3,046	34	100%	2,534	0.74%	633	16.11%	1.3	553	21.81%	2	-2
0.75 to <2.50	3,401	150	100%	3,515	1.43%	3,905	22.40%	1.3	1,498	42.61%	10	-7
2.50 to <10.00	2,345	104	100%	2,373	4.86%	2,393	23.98%	1.4	1,628	68.58%	24	-12
10.00 to <100.00	356	34	100%	390	19.34%	427	33.41%	1.8	627	160.49%	27	-9
100.00 (Default)	60	3	100%	63	100.00%	137	66.59%	1.2	145	230.41%	30	-22
Sub-total Corporate AIRB	**10,693**	**416**	**100%**	**10,414**	**3.14%**	**8,554**	**21.84%**	**1.4**	**4,725**	**45.38%**	**95**	**-51**
Portfolio Retail												
0.00 to <0.15	2,318	275	100%	2,593	0.11%	434,271	42.62%		299	11.54%	1	-1
0.15 to <0.25	1,439	137	100%	1,576	0.22%	230,081	38.17%		267	16.93%	1	0
0.25 to <0.50	2,849	91	100%	2,940	0.33%	330,673	45.55%		778	26.44%	4	-3
0.50 to <0.75	4,346	75	100%	4,421	0.54%	354,521	36.19%		1,277	28.89%	9	-8
0.75 to <2.50	8,129	360	100%	8,489	1.21%	689,338	44.66%		4,163	49.04%	46	-56
2.50 to <10.00	2,490	113	100%	2,603	4.52%	205,634	41.98%		1,556	59.78%	49	-35
10.00 to <100.00	697	10	100%	706	24.29%	62,836	42.95%		677	95.78%	74	-60
100.00 (Default)	340	1	100%	341	100.00%	45,106	83.21%		152	44.72%	278	-222
Sub-total Retail	**22,607**	**1,062**	**100%**	**23,669**	**3.26%**	**2,352,460**	**42.74%**		**9,169**	**38.74%**	**464**	**-386**
Total (all portfolios)	**33,578**	**1,478**	**100%**	**34,361**	**3.21%**	**2,361,131**	**36.42%**		**14,148**	**41.17%**	**560**	**-437**

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

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

- A model for ranking the risk of default;

- A method for quantifying the related probability of default.

i) Risk ranking model

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

The table below provides the mapping of the developed models.

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

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

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

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

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

Category of exposure	Internal/External model	Average sound portfolio
Retail individuals	Internal	1.51%
Small and medium-sized companies	Internal	3.40%
Large companies	Internal	1.86%
Dealers	Internal	2.50%

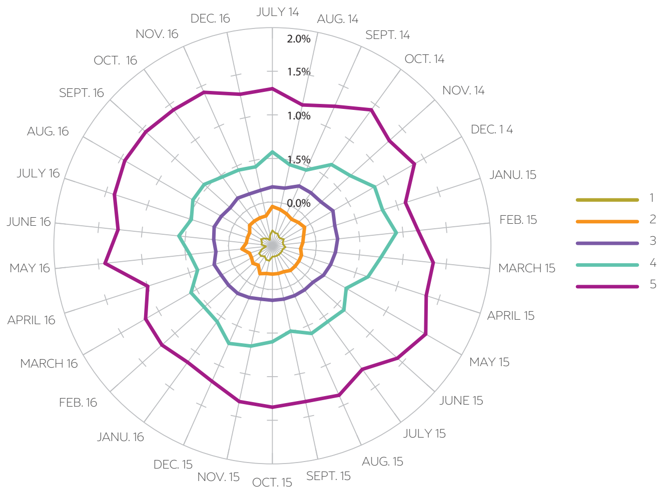
iii) Testing PD models

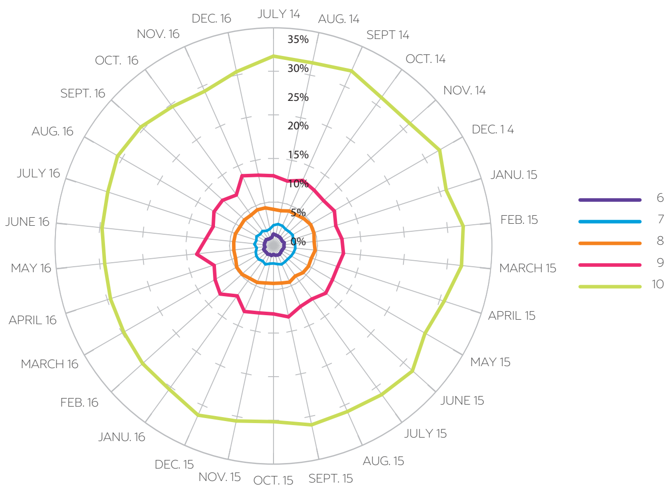
The figures disclosed in this section come from the backtesting databases, which are in line with the modeling databases. The figures given in the previous sections correspond to the use of parameters, and so there may be differences in management rules. For example, the default rates and PDs derived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

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

This is illustrated in the following graphs.

III.17. History of default rates per class

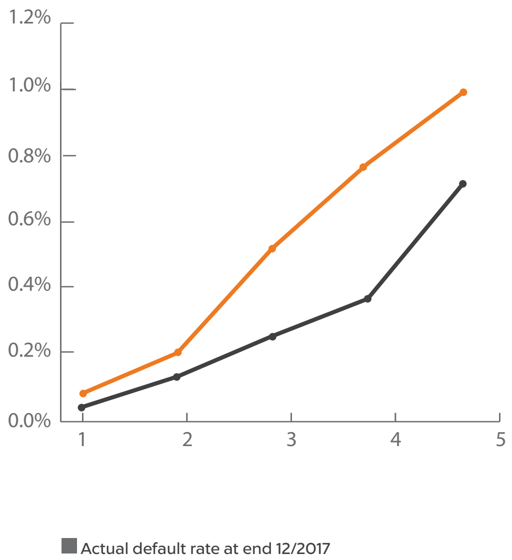




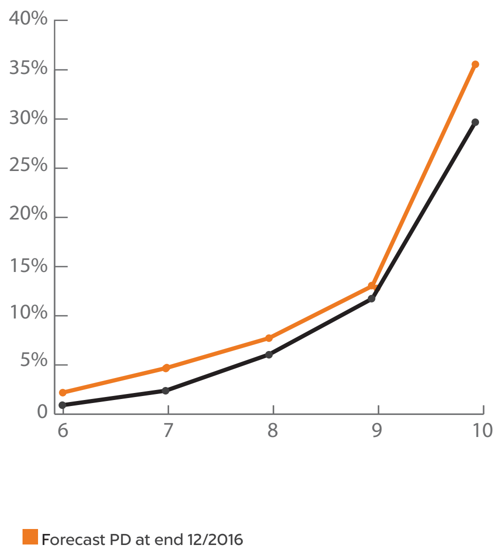
Since the curves by rating class are concentric, the two graphs above enable to conclude that the model is discriminant.

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

Class 1 to 5



Class 6 to 10



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

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

III.19. IRB approach – Backtesting of PD per exposure class

Exposure class	At the end of previous year (31/12/2016)		Number of obligors		Default obligors in the year 2017	Of which new obligor	Average historical annual default rate
	Weighted average PD	Arithmetic average PD by obligors	End of previous year (31/12/2016)	End of the year (31/12/2017)			
Retail individuals	1.07%	1.42%	1,934,687	2,186,539	20,405	1,383	1.19%
SME	3.65%	3.28%	138,804	154,511	3,261	293	2.75%
Large companies	1.74%	1.82%	1,558	1,761	10	1	0.49%
Dealers	1.94%	2.35%	2,061	1,988	16	1	1.69%

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

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

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

Economic losses are estimated using discounted recovery flows for Retail Customers and Corporates, or debt write-offs for the Network, on the basis of historical data generally going back at least 7 years. Recovery costs are factored in according to the management phases involved. After analysis, transactions have been grouped into segments representing homogeneous loss levels.
The quantifying of these losses per segment results from a statistical model the main vectors of which are a generational analysis of recoveries and the speed of collection.

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

Category of exposure	IRBA Countries	Population group segmentation	Type of model	Internal/ External model	Average sound portfolio LGD at 31/12/2016	Average loss computed at last backtesting
Retail individuals SME Large companies	France	Credit	Statistical	Internal	43.89%	43.07%
		Leasing			41.27%	40.50%
	Germany	Credit	Statistical	Internal	24.41%	23.21%
		Leasing			38.89%	32.69%
	Spain	Credit VN	Statistical	Internal	42.50%	40.38%
		Credit VO			57.80%	47.47%
		Leasing			43.10%	35.40%
	Italy	Single segment	Statistical	Internal	50.64%	50.07%
	United Kingdom	Single segment	Statistical	Internal	46.61%	40.79%
	South Korea	Single segment	Statistical	Internal	54.70%	47.13%
Dealers	G5(*)	R1 VN	combined	Internal	12.10%	1.10%
		R1 others			22.90%	2.30%
		R2			21.00%	6.80%

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

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

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

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

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

f) Operational use of internal ratings

i) Customers

• Granting policy

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

• Debt collection

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

ii) Dealers

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

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

g) Procedures for monitoring internal ratings

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

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

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

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

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

III.21. 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 millions of euros	RWA amounts	Capital requirements
RWA at the 30/06/2017	13,432	1,075
Asset size	719	57
Asset quality	-831	0
Model updates	0	0
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-7	0
Other	0	0
RWA at the 30/09/2017	**13,314**	**1,132**

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

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

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

F - STANDARDIZED METHOD

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

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

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

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

In millions of euros	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
Central governments or central banks	2,759	24	2,759	12	565	20.37%
Regional government or local authorities	38	6	38	3	8	20.15%
Public sector entities	17		17		17	100.00%
Multilateral development banks						
International organisations	67		67			
Institutions	1,186	17	1,186	4	280	23.49%
Corporates	5,244	512	5,091	400	5,408	98.48%
Retail	5,744	291	5,743	189	4,431	74.69%
Secured by mortgages on immovable property						
Exposures in default	83	2	66	2	86	125.54%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	40	57	40	11	24	46.97%
Collective investment undertakings						
Equity	176		176		400	227.39%
Other items	1,292	17	1,292	17	969	74.06%
Total	**16,644**	**926**	**16,476**	**638**	**12,187**	**71.21%**

CRM: Credit Risk Mitigation.
CCF: Credit Conversion Factor.

III.23. Standardized approach – Exposures by asset classes and risk weights

In millions of euros Asset classes	Risk weight															
	0%	2%	4%	10%	20%	35%	50%	75%	100%	150%	250%	370%	1,250%	Others	Deducted	Total	Of which unrated
Central governments or central banks					0		132		238		194					565	
Regional government or local authorities					8				0							8	8
Public sector entities									17							17	17
Multilateral development banks																	
International organisations																	
Institutions					211		67		2							280	207
Corporates					7		56		5,346	0						5,408	5,346
Retail								4,431								4,431	4,431
Secured by mortgages on immovable property																	
Exposures in default									33	52						86	85
Higher-risk categories																	
Covered bonds																	
Inst. and corporates with a ST credit assessment					8		0			16						24	16
Collective investment undertakings																	
Equity									26		373					400	400
Other items					85				885							969	969
Total					**319**		**255**	**4,431**	**6,547**	**68**	**568**					**12,187**	**11,478**

G - CREDIT RISK MITIGATION TECHNIQUES

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

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

For exposures treated by the internal rating method, the capital requirements in respect of credit risk include financial collateral (in the form of a cash pledge agreement) amounting to €700m granted by manufacturer Renault and protecting RCI Banque against the risk of the Renault subsidiaries defaulting on inventory financing.

This protection is spread evenly over each exposure in the relevant scope by RAY's data processing. At the end of December 2017 and after application of the discount relating to the asymmetry of currencies, the impact on the value of €826m of exposures (corporate category only) totaled €695m.

With the standardized method, capital requirements in respect of credit risk include financial collateral (in the form of Letras de Cambio) protecting Brazilian subsidiary CFI RCI Brasil against the risk of default of its network of dealerships, for a total of €169m at the end of December 2017, reducing exposures to €22m for the corporate category, to €146m for SMEs, and to under €1m for retail customer companies. This protection is allocated individually to each exposure concerned.

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

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

H - COUNTERPARTY CREDIT RISK

COUNTERPARTY RISK MANAGEMENT

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

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

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

- RCI Banque negotiates its interest rate and forex derivatives used as asset and liability hedges under an ISDA or FBF agreement and thereby has a legally enforceable right in case of default or a credit event (see Note 20 to the consolidated financial statements: Netting agreements and other similar commitments). In 2012 the EMIR (European Market Infrastructure Regulation) regulation published a series of measures designed to improve the stability and transparency of the derivatives market. The main measure concerns the use of clearing houses for transactions on derivatives and the collateralization of the said transactions. RCI Banque books standardized interest- rate swap transactions in clearing houses. These transactions consist in deposits of an initial margin and regular exchanges of collateral in respect of variation margins.
- Investments in securities are not hedged, in order to reduce credit exposure. RCI Banque has no particular mechanism for managing correlation risk.

If its credit rating is downgraded, RCI Banque may be led to fund additional reserves as part of its securitization transactions. At 31/12/2017, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €87 million.

EXPOSURE TO COUNTERPARTY CREDIT RISK

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

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

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

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

III.27. Impact of netting and collateral held on exposure values

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

III.28. Composition of collateral for exposures to CCR

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

III.29. Exposures to CCPs

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

IV - CREDIT VALUATION ADJUSTMENT RISK

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

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

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

IV.1. Credit valuation adjustment (CVA) capital charge

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

V - SECURITIZATION

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

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

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

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

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

- for securitizations placed on the market: €971m,

- for self-subscribed securitizations: €6,727m,

- for private securitizations: €2,693m.

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

VI - MARKET RISK

A - THE MARKET RISK MANAGEMENT PRINCIPLE

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

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

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

B - GOVERNANCE AND ORGANIZATION

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

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

C - MEASUREMENT, MONITORING AND PRUDENTIAL TREATMENT

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

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

D - EXPOSURE

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

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

VII - INTEREST-RATE RISK FOR PORTFOLIO POSITIONS

A - ORGANIZATION OF INTEREST RATE RISK MANAGEMENT

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin. The objective of the RCI Banque group is to mitigate this risk as far as possible in order to protect its mark-up.

The specific interest rate risk control process is part of the RCI Banque group's overall internal control process. The goals and strategies pursued by RCI Banque in connection with the interest rate risk are described in the part entitled "Consolidated financial statements – financial risks". – Appendix 2.

B - GOVERNANCE AND ORGANIZATION

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

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

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

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

C - MEASUREMENT AND MONITORING

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

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

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

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

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

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

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

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

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

D - EXPOSURE

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

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

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

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

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

In millions of euros	EVE		NII 12 months	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Parallel up 200 bps	-368	-297	-43	-30
Parallel down 200 bps	342	272	33	20
Steepener	45	45		
Flattener	-103	-90		
Short rate up	-246	-209		
Short rate down	220	184		
Maximum (absolute values)	368	297	43	30

	31/12/2017	31/12/2016
Prudential Tier 1 capital	4,442	3,900

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

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

VIII - LIQUIDITY RISK

A - THE LIQUIDITY RISK MANAGEMENT PRINCIPLE

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

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

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

B - GOVERNANCE AND ORGANIZATION

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

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

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

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

C - MEASUREMENT AND MONITORING

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

Static liquidity

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

The liquidity reserve

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

Stress scenarios

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

D - REGULATORY RATIOS AND CHARGES ON ASSETS

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

Liquidity Coverage Ratio (LCR)

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

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

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

The bank's average HQLA during the 12-month period ending on 31 December 2017 was €1,175m. It amounted to €1,068m on average during the 12-month period ending on 30 September 2017. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals, the average duration of the bond portfolio was close to one year.

In addition, RCI Banque also invested in a fund whose assets are made of debt securities issued by European agencies, sovereigns and supranational issuers. Its average exposure to credit risk is six years with a limit at nine years. The fund is aiming for zero exposure to the interest rate risk with a maximum of two years.

Over the 12-month period ending on 31 December 2017, EUR, GBP and BRL denominated HQLA represented on average 70%, 17% and 4% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on September 2017, which were 68%, 17% and 4% respectively.

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

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

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

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

VIII.1. Liquidity Coverage Ratio (LCR)

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

(Un)encumbered assets

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

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

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

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

VIII.2. Encumbered and unencumbered assets

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

VIII.3. Collateral received

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

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

VIII.4. Encumbered assets/collateral received and associated liabilities

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

IX - OPERATIONAL AND NON-COMPLIANCE RISKS

A - OPERATIONAL AND NON-COMPLIANCE RISK MANAGEMENT

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

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

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

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

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

LEGAL AND CONTRACTUAL RISKS

Risk factors

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

Management principles and processes

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

TAX RISKS

Risk factors

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

Management principles and processes

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

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

IT RISKS

Risk factors

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

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

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

Management principles and processes

These risks are managed and controlled by:

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

Focus on IT security

RCI Banque implements the Renault Group IS Security policy, also factoring in banking requirements, and placing particular emphasis on access control for its applications, protection of personal and sensitive data and business continuity.

As part of the RCI Banque group's emergency and business continuity plan, IS business resumption plans are operational for all of its deployed and local applications. They are tested at least once a year.

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

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

REPUTATION RISKS

Risk factors

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

Management principles and processes

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

B - MEASUREMENT OF OPERATIONAL RISKS AND MONITORING PROCESS

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

C - EXPOSURE TO THE RISK AND CALCULATION OF REQUIREMENTS

Operational risk is treated by the standardized method.

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

IX.1. Operational risk

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

D - INSURANCE OF OPERATIONAL RISKS

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTION

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

The risk prevention policy is characterized by:

- Installation of efficient safety systems;
- Staff training (awareness of their role in prevention of damage to property);
- Installation of backups in the event of business interruption, as group production is highly dependent on the serviceability of its computer systems.

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

THIRD-PARTY LIABILITY

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

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

- One contract covers the third-party liability after delivery and/or errors and omissions liability of the Diac and Diac Location subsidiaries, more particularly concerning long-term rental and car fleet management services;
- One contract insures the Diac and Diac Location subsidiaries against the financial consequences of any third-party liability they may incur as owner or lessor of motor vehicles and equipment by virtue of the activities covered by this contract, namely lease purchasing, leasing with purchase option and long-term leasing, on the understanding that this contract is a second Tier insurance policy that is invoked if the lessee's insurance defaults;
- In matters of insurance intermediation (insurance contracts offered as a supplement to financing and rental products), RCI Banque and the Diac and Diac Location subsidiaries are insured with specific Errors & Omission liability contracts together with a financial guarantee in accordance with Articles L.512-6, L.512-7, R.512-14 and A.512-4 of the Insurance Code, regulations resulting from the French law of 15 December 2005 transposing the European directive of 9 December 2002.

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

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

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

The program covers the following two areas:

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

X - OTHER RISKS

A - RESIDUAL VALUES RISK

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

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

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

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

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

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

B - INSURANCE RISK

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

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

C - RISKS RELATING TO COMMERCIAL DEPLOYMENT

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

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

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

D - RISK RELATING TO SHARES

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

CROSS-REFERENCE TABLE

CRD4	Purpose	Consistency
Article 90	Public disclosure of return on assets	Introduction
CRR	**Purpose**	**Consistency**
Article 431	Scope of disclosure requirements	Introduction
Article 432	Non-material, proprietary or confidential information	Introduction
Article 433	Frequency of disclosure	Introduction
Article 435	Risk management objectives and policies	
1a		Part I-A
1b		Part I-B
1c		Part I-A+C
1d		Part III-B+G + IV + IX-D
1e		Part I-A
1f		Part I-C
2a-d		Part I-B
2e		Part I-A+B+C
Article 436	Scope of application	
a-b		Part II-A
c		Part II-B
d		Part II-A
e		Part II-B
Article 437	Own funds	
1a-e		Part II-C
1f		NA own funds determined on the CRR basis only
Article 438	Capital requirements	
a		Part II-E
b		NA no supervisory requirement
c-d		Part III-D
e		NA no capital required for market risk
f		Part II-D
Article 439	Exposure to counterparty credit risk	
a-d		Part III-H
e-f		Part IV

CROSS-REFERENCE TABLE

g-i		NA credit derivative hedges not used
Article 440	Capital buffers	Part II-B
Article 441	Indicators of global systemic importance	Part II-B
Article 442	Credit risk adjustments	Part III-A
Article 443	Unencumbered assets	Part VIII-D
Article 444	Use of ECAIs	Part III-F
Article 445	Exposure to market risk	Part VI
Article 446	Operational risk	Part IX-C
Article 447	Exposures in equities not included in the trading book	
a-b		Part X-D
c-e		NA no exchange-traded exposure
Article 448	Exposure to interest rate risk on positions not included in the trading book	Part VII
Article 449	Exposure to securitization positions	Part V
Article 450	Remuneration policy	Part I-E
Article 451	Leverage	
1a-c		Part II-F
1d-e		Part II-G
Article 452	Use of the IRB Approach to credit risk	
a		Part III-E
b. i		Part III-E (d-iii)
b. ii		Part III-E (a+f)
b. iii		Part III-G
b. iv		Part III-E (g)
c		Part III-E (d+e)
d-f		Part III-E (c)
g-h		Part III-E (e)
i-j		Part III-E (d+e)
Article 453	Use of credit risk mitigation techniques	Part III-G
Article 454	Use of the Advanced Measurement Approaches to operational risk	NA Advanced Measurement Approaches not used
Article 455	Use of Internal Market Risk Models	NA internal models not used
Article 492	Disclosure of own funds	Part II-C

TABLE

PART	REF	TITLE
Intro		Key figures and ROA
I-B		Positions held by the members of the Board of Directors
II-A	LI1	LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
II-A	LI2	LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements
II-A	LI3	LI3 - Outline of the differences in the scopes of consolidation (entity by entity)
II-B	CCC1	CCC1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
II-B	CCC2	CCC2 - Amount of institution-specific countercyclical capital buffer
II-C		Main characteristics of equity instruments
II-C	FP1	FP1 - Breakdown of regulatory capital by category
II-D	OV1	OV1- Overview of RWA
II-F	LRSum	LRSum - Summary reconciliation of accounting assets and leverage ratio exposures
II-F	LRCom	LRCom - Leverage ratio
II-F	LRSpl	LRSpl - Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
II-F	LRQua	LRQua - Statement of qualitative elements
III-A	CR3	CR3 - Credit risk mitigation techniques – overview
III-A	CRB-B	CRB-B - Total and average net amount of exposures
III-A	CRB-C	CRB-C - Geographical breakdown of exposures
III-A	CRB-D	CRB-D - Concentration of exposures by industry or counterparty types
III-A	CRB-E	CRB-E - Maturity of exposures
III-A	CR1-A	CR1-A - Credit quality of exposures by exposure class and instrument
III-A	CR1-B	CR1-B - Credit quality of exposures by industry or counterparty types
III-A	CR1-C	CR1-C - Credit quality of exposures by geographical area
III-A	CR1-D	CR1-D - Ageing of past-due exposures
III-A	CR1-E	CR1-E - Non-performing and forborne exposures
III-A	CR2-A	CR2-A - Changes in the stock of general and specific credit risk adjustments
III-A	CR2-B	CR2-B - Changes in the stock of defaulted and impaired loans and debt securities
III-E-c	CR6	CR6 IRB approach – Credit risk exposures by portfolio and PD range
III-E-d		Segmentation of exposures by the advanced method and average PD by country
III-E-d		History of default rates per class

TABLE

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

Report on **corporate governance**

I - ORGANIZATION OF THE RCI BANQUE GROUP

The aim of the organization put in place by the RCI Banque group is to boost its business action in both the financing of Alliance manufacturers' sales and associated services. It gives the support functions a more comprehensive role to play in supporting international expansion.

In its capacity as a credit institution, RCI Banque, which is subject to regulation by the European Central Bank, has structured its governance in accordance with banking and financial regulations.

Oversight of this organization is delivered in three ways:

Hierarchical line

RCI Banque's Senior Management and its Executive Committee direct RCI Banque's policy and strategy, under the control of the Board of Directors;

The management committees, both central and in the controlled subsidiaries and branches, implement the actions needed to meet the objectives set by Senior Management and the Executive Committee.

Functional line

The functional departments play the role of "technical parent" for the following purposes:

- establishing specific policies and rules of operation (for IT systems, human resources, financial policy, credit risk management, etc.);
- providing the operational departments with support and ensuring that established policies are implemented as they should be by those departments. The group also has standardized mapping of all of the company's processes.

Supervision

The Board of Directors, a supervisory body, is backed up by five Board Committees: a Risk Committee, an Audit and Accounts Committee, a Remuneration Committee, a Nominations Committee and a Strategic Committee.

II - BODIES AND PEOPLE INVOLVED

A. BOARD OF DIRECTORS

The principles governing the operation, role and responsibilities of RCI Banque's Board of Directors and Board Committees are described in its internal rules and regulations, the main features of which are given below.

i. Role and responsibilities of the Board of Directors

In accordance with France's Commercial Code (Code de Commerce), Monetary and Financial Code (Code Monétaire et Financier) and more generally, all regulations that apply to the banking sector, the role and responsibilities of the Board of Directors are as follows:

- it determines the broad lines of the company's business activities and oversees implementation by the effective managers and the Executive Committee of supervisory systems so as to ensure effective and prudent management;
- iit approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the company is or might be exposed, including risks generated by the economic environment. In this respect, it ensures that the group's risk management systems are appropriate and effective, inspects and verifies the exposure to risk of its activities and approves the level of risk appetite and the related limits and alert thresholds as determined by the Risk Committee. It also ensures that corrective measures taken to remedy any shortcomings are effective;
- it reviews the governance system, regularly assesses its effectiveness and ensures that corrective measures are taken to remedy any shortcomings;
- it makes sure that the single-entity and consolidated financial statements are true, fair and accurate, and that the information published by RCI Banque is of high quality;
- it approves the Annual Business Report and the Report on corporate governance;
- it checks the publication and disclosure process, and makes sure that all information to be published or disclosed by the company is reliable and of high quality;
- it adopts and reviews the general principles of the remuneration policy applied within the RCI Group;

- it discusses the company's policy on gender equality in the workplace and equal pay;
- it discusses beforehand any changes to RCI Banque's management structures;
- it prepares and convenes the Annual General Meeting of Shareholders and establishes its agenda;
- it may delegate to any person of its choosing the powers needed to complete, within a one-year limit, bond issues, and to determine the terms and conditions thereof;
- isubject to the powers specifically allocated to shareholders' meetings, and within the purview of the company's corporate purpose, it deals with all matters relating to the good conduct of the company's business and decides all pertinent issues through its deliberations.

The Board of Directors devotes at least one annual meeting to a review of the internal control system and approves the Annual Report on Internal Control sent to France's Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR).

It also has the power to authorize transactions affecting the share capital, bond issues, the signature or termination of agreements with other undertakings that entail commitments affecting the company's future, and major transactions likely to alter significantly the scope of business or capital structure of the company and the group it controls.

The Board of Directors relies in particular on the work of the different Board Committees to help it fulfill its duties.

ii. Composition of the Board of Directors

At 31 December 2017 the Board of Directors of RCI Banque consisted of seven directors.

Board of Directors as at 31 December 2017

	Position in the company	Date elected or re-elected	Current term expires	List of offices in other companies	Number of shares held	% of capital
Clotilde Delbos	Chair of the Board Independent Director	21/11/2014	May 2020	• France: Renault Venture Capital - Chairman	0	0
Farid Aractingi	Independent Director	21/05/2012	May 2018	• France: Renault Consulting – Chairman • France: European Confederation of Institutes of Internal Auditing – Chairman • Lebanon: Fattal – member of the Advisory Board • United Kingdom: Renault Nissan Institute -Director	0	0
Gianluca De Ficchy	Chief Executive Officer and Director	21/11/2014	May 2020	• France: DIAC – Chairman of the Board of Directors • France: DIAC Location – Director • Korea: RCI Financial Services Korea – Director • Netherlands: RN SF – Director • Russia: RN Bank – Director	1	0
Thierry Koskas	Independent Director	01/04/2016	May 2021	• Spain: Renault Espagne - Director • China: Dongfeng Renault Automobile Company - Director	0	0
Isabelle Landrot	Director	26/07/2016	May 2018		0	0
Bernard Loire	Independent Director	21/05/2012	May 2018	• France: Nissan West Europe - Chief Executive Officer	0	0
Stéphane Stoufflet	Independent Director	28/05/2015	May 2021	• United States: Renault USA - Director • France: Renault Environnement – Director • Russia: SAAR Renault Russie - Director	0	0

Other corporate officers as at 31 December 2017

	Position in the company	Date elected or re-elected	Current term expires	List of offices in other companies	Number of shares held	% of capital
Patrick Claude	VP Risk Management and Deputy CEO	01/10/2014	unlimited	• Brazil: Banco RCI Brasil - Director • France: RDIC - Chair of Advisory Board • Malta: RCI Services – Director • Malta: RCI Life – Director • Malta: RCI Insurance - Director • Netherlands: RG BV - Chair of Board of Directors • Netherlands: BARN BV - Director • Russia: RN Bank - Director • Singapore: Renault Treasury Services – Chair of Board of Directors • Switzerland: Renault Finance Lausanne - Chair. of the Board of Directors	0	0

Shareholder as at 31 December 2017

Renault S.A.S					999 999	99.99

Members of the Board of Directors are appointed by the Annual General Meeting on the recommendation of the Nominations Committee. Their term of office is set at six years, except in the case of co-option.

The directors have been appointed to the Board of Directors on the basis of their good repute, their knowledge of the company's activity and lines of business, their technical and general expertise and, in some cases, the experience acquired in performing their duties in the shareholder companies.

Collectively, the members of the Board of Directors and the effective managers have the knowledge, expertise and experience needed for a full understanding of all of the company's business activities, including the main risks to which it is exposed, of the sales financing sector, of the Renault-Nissan Alliance and of the automotive sector.

On the recommendation of the Nominations Committee, the Board of Directors has defined the notion of independent director as follows: "An RCI director is independent when he or she has no relationship of any kind whatsoever with either the RCI group or its management that might color his or her judgment.

Accordingly, an independent director is understood to be not only a non-executive director, i.e. one not performing management duties in the RCI group, but also one devoid of any particular bonds of interest (significant shareholder, employee, other) with them."; activities with the Renault Nissan alliance not constituting particular bonds of interest, in accordance with the specified classification criteria.
On this basis, it has identified five directors as being independent.

At 31 December 2017, the Board of Directors of RCI Banque consisted of two women and five men.

As recommended by the Nominations Committee, and in accordance with France's Act 2011-103 of 27 January 2011, the Board of Directors is aiming to gradually bring its composition to at least 40% women members and 40% men members. To achieve this gender balance target, it intends to focus on female applicants when the next appointments are made.

To the best of the Company's knowledge, there are no conflicts of interest between the private interests of the members of the Board of Directors and their duties towards the Company. There are no family ties between the members of the Board of Directors.

During the last financial year, no agreements or arrangements were entered into by any of the Company's senior managers or significant shareholder with any subsidiary. In accordance with Order 2014-863 of 31 July 2014, the Board of Directors hereby states that agreements entered into with the parent company or with Company subsidiaries that are directly or indirectly fully owned are excluded from the scope of control of regulated agreements.

To the best of the Company's knowledge, none of the members of the Board of Directors and none of its main Senior Management members has, in the past five years:

- been convicted in relation to fraudulent offences;
- been associated with any bankruptcy, receivership or liquidation, in the capacity of senior manager;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities, or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

iii. Preparation of Board of Directors' meetings

The Board of Directors meets at least four times a year and as often as the interest of the Company requires, upon notice duly served adequately in advance, by any means, by the secretary of the Board appointed by the Chairman, in accordance with the provisions of the by-laws.

In accordance with Article L.823-17 of France's Commercial Code (Code de Commerce), the statutory auditors are invited to all meetings of the Board of Directors examining or preparing the annual or interim financial statements, and if relevant, to other meetings at the same time as the Directors themselves.

All technical documents and information required for the directors to fulfill their responsibilities are sent to them in compliance with the applicable provisions of the law and the Company's by-laws.

Meetings of the Board of Directors are chaired by the Chairman, who establishes the timetable and agenda for each meeting. He/she organizes and oversees the work of the Board and reports thereon to the Annual General Meeting. He/she chairs General Meetings of shareholders.

The Chairman makes sure that the company's bodies operate properly and that best governance practices are implemented. This applies in particular to the committees set up within the Board of Directors, whose meetings the Chairman may attend. He/she may submit questions to be examined by these committees for their opinion.

The Chairman is provided with all information required to perform his/her duties and tasks. He/she is provided with regular updates by senior management on all significant events relating to the life of the RCI group. He/she may request communication of all appropriate documents and information needed to enlighten the Board of Directors. In this respect, he/she may also interview the Statutory Auditors and, after informing the Chief Executive Officer thereof, any member of the RCI group's Senior Management.

The Chairman ensures that the members of the Board of Directors are in a position to fulfill their duties and makes sure that they are properly informed.

iv. Activity of the Board of Directors during 2017

The Board of Directors met four times in 2017:

- On 3 February 2017, the Board met to examine the business report and to approve the single-entity and consolidated financial statements as at 31 December 2016. It also approved the 2017 budget. On the recommendation of the Remuneration Committee, the Board confirmed the RCI group variable component system for the 2017 financial year. On the recommendation of the Risk Committee, it approved the Pillar III declarations and reports, the report on compliance with the alert thresholds and limits associated with the level of risk appetite, and the action plan in the event of overrun of those limits and thresholds.
- On 27 April 2017, the Board authorized the increase in the bond issue amount authorized for 2017, and in the ceiling on the EMTN programme. It also reviewed the business report and a number of growth plans. The Board also analyzed the ICAAP and ILAAP results and approved the 2016 report on internal control, on the recommendation of the Risk Committee.

- On 25 July 2017, the Board reviewed the business report and approved the consolidated interim financial statements as at 30 June 2017. It also nominated Ms. Isabelle Landrot for the position of Chair of the Risk Committee.
- On 8 December 2017, the Board analyzed the refinancing transactions completed to end-November 2017 and the funding plan for 2018. It then authorized issues for the 2018 financial year and renewed the relevant delegations of authority through to 31 December 2018. The Board also approved updates to the ILAAP governance procedure and to the ICAAP strategic memorandum.

The Board also decided to transfer the Head Office to Paris. On the recommendation of the Risk Committee, the Board approved the changes made to the "Risk Appetite Framework" and to the recovery plan. On the recommendation of the Remuneration Committee, it approved the remuneration policy for risk takers. On the recommendation of the Nominations Committee, it approved the definition of "independent director", the identification of such directors within the Board of Directors, and for 2018 adopted a target and policy with respect to the balanced representation of both men and women in the Board of Directors.

The director attendance rate at these meetings was 89% across the year.

The meetings of the Board of Directors were held at 13-15, Quai Le Gallo, 92512 Boulogne-Billancourt, France, at the head office of Renault S.A.S, RCI Banque's parent company.

The minutes of each Board of Director's meeting were drawn up by the secretary of the Board, approved at the following meeting, and transferred to a register held at the company's head office and available for inspection by the directors.

v. Special committees of the Board of Directors

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

The Risk Committee met four times in 2017. Its main duties were to review risk mapping and validate the definition of risks, and to analyze and validate the RCI Group's limits on risk in keeping with the Board's risk appetite and with a view to assisting the Board in terms of control. It was also in charge of action plan analysis in the event of limit or threshold overrun, and of reviewing product and service pricing systems. Without prejudice to the role of the Remuneration Committee, it was also tasked with reviewing the compatibility of the remuneration policy with the company's exposure to risks. With a view to advising the Board of Directors, the Committee also approved the Report on Internal Control, and analyzed the ICAAP and ILAAP systems and the recovery plan.

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

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

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

B. SENIOR MANAGEMENT

i. Senior Management method

In accordance with the Act implementing CRD IV and with the Order of 3 November on internal control, the roles of Chairman and Chief Executive Officer are separate.

The Senior Management and effective management of the company, within the meaning of Article L.511-13 of France's Monetary and Financial Code (Code Monétaire et financier) are the responsibility of the CEO, Mr. Gianluca De Ficchy, and of the Deputy CEO, Company Secretary and Chief Risk Officer, Mr. Patrick Claude.

The CEO is vested with the widest powers to act in the Company's name in all circumstances, within the purview of the Company's corporate purpose, and subject to those that are specifically granted by law to shareholders' meetings and to the Board of Directors. The CEO has the authority to grant sub-delegations or substitute powers of attorney for one or more specified transactions or categories of transactions.

However, the CEO must obtain authorization from the Board of Directors to acquire, sell or mortgage buildings, the Board intending to retain authority in such matters.

The Deputy CEO has the same powers as the CEO with regard to third parties.

ii. Executive Committee

The RCI Banque group's Executive Committee, which is the group's senior management body, directs RCI Banque's policy and strategy. At 31 December 2017, its members were the group's two effective managers (Gianluca De Ficchy and Patrick Claude), the Senior V.P. Information Systems (Umberto Marini), the Senior V.P. Accounts and Performance Control (Alice Altemaire), the Senior V.P. Human Resources (Hélène Tavier), the Senior V.P. Sales Operations (Enrico Rossini), the Senior V.P. Customers and Operations (Jean-Philippe Vallée), Senior V.P. Finance and Group Treasurer (Jean-Marc Saugier) and the Senior V.P. Territories (Dominique Signora until November 2017).

The Executive Committee oversees the group's risk management via the following committees:

- the **Financial Committee**, which reviews the following: economic analyses and forecasts, resource cost, liquidity, interest rate and counterparty risks across the group's different scopes and subsidiaries. Changes in RCI Holding's balance sheet and income statement are also analyzed so that the necessary adjustments to intra-group transfer prices can be made;
- the **Credit Committee**, which validates commitments that are beyond the authority of the subsidiaries and Group Commitments Officer;
- the **Performance Committee**, for "Customer and Dealer Risks" matters, which assesses the quality of customer lending and subsidiary collection performances in relation to objectives set. With respect to the Dealer business, changes in outstandings and stock rotation indicators, as well as changes in dealership and loan classification are reviewed.
- the **Regulations Committee** which reviews major regulatory changes in prudential supervision and action plans, and validates internal rating models and the related management system.
- the **Internal Control, Operational Risks and Compliance Committee** oversees the whole of the group's internal control system, checks its quality and its related systems, and adjusts means, systems and procedures accordingly. It defines, oversees and monitors the principles of the operational risk management policy, and the principles of the compliance control system. It monitors progress made on the action plans. This body is transposed in the subsidiaries.
- the **Career Committee** defines the group's key positions at local and regional level, and identifies employees with the potential to take up those key roles.
- the **Capital and Liquidity Committee** reviews the regulatory solvency ratio and rating agencies, and monitors projections of outstandings and the impacts thereof on solvency ratios. It also makes sure that the Risk Appetite Framework is adhered to from the liquidity and solvency ratio perspectives, and that the funding plan is kept under review.

iii. Arrangements for shareholder participation in the Annual General Meeting

The by-law provisions covering shareholder participation in the Annual General Meeting are given in the General Information section.

III - SENIOR MANAGEMENT REMUNERATION

A - COMPENSATION PAID TO DIRECTORS

The directors receive no directors' fees or other compensation for serving on the Board.

B - COMPENSATION PAID TO CORPORATE OFFICERS

I - PRINCIPLES AND RULES GOVERNING COMPENSATION PAID TO RCI BANQUE'S CORPORATE OFFICERS

The aim of the overall remuneration policy implemented by RCI Banque is to attract and retain employees and ensure their commitment to the group in the long-term, while ensuring compliance and appropriate management of risks and promoting the Company's values. For corporate officers in particular, the policy is designed to reward implementation of the RCI Banque Group's strategy over the long term, for the good of the group's shareholder, customers and employees.

As RCI Banque is a credit institution, its policy on remuneration paid to corporate officers has been developed in accordance with regulations applicable to the banking sector, and in particular with European Directive 2013/36/EU of 26 June 2013 (hereafter "CRD IV") and its transposition in France via Order 2014-158 of 20 February 2014, insofar as the persons concerned also have a significant impact on the Company's risk profile.

The principles and criteria for the determination, distribution and allocation of fixed, variable and one-off components of overall remuneration and benefits of any kind that may be awarded to the Chairman, Chief Executive Officer and Deputy Chief Executive Officer on account of their offices, are examined by the Remuneration Committee before being submitted by the Board of Directors to the Annual General Meeting of Shareholders for its binding vote.

In this respect, the Annual General Meeting scheduled for 22 May 2018 will be asked for its approval of the principles and criteria for remuneration to be awarded to the Chairman, Chief Executive Officer and Deputy Chief Executive Officer for the 2018 financial year, as described hereafter. Should the Annual General Meeting not approve the resolution, the previously approved principles and criteria will continue to apply.

This remuneration policy, which is underpinned by a number of common principles (i) takes into account certain specificities of the offices concerned (ii). Remuneration for corporate officers in itself consists of a fixed component and, where appropriate, a variable component (iii) which is determined and awarded according to guidelines common to all persons with a significant impact on the Company's risk profile.

i. Common principles for the corporate officer remuneration policy

This remuneration policy is underpinned by a number of straightforward, stable and transparent principles:

- A close connection with the Company's strategy: remuneration is closely tied to implementation of the strategy and its results.
- Fair and competitive reward for performance:
  - the variable proportion of the corporate officer's remuneration is, in accordance with banking regulations, consistent with market practice;
  - no variable remuneration is awarded in the event of under-performance.
- A level of remuneration that prevents conflicts of interest and promotes sound and effective risk management:
  - remuneration in line with the business strategy, objectives, values and long term interests of the Company;
  - assessment of performance set in a multi-year framework and taking into account all risks to which the institution is exposed;
  - appropriate balance between the fixed and variable components of total remuneration, and deferred payment of a percentage of the corporate officer's variable remuneration.

ii. Corporate office-related specificities

- The Chairman of the Board of Directors receives no directors' fees or other compensation for serving on the Board as Chairman.
- Insofar as the Deputy Chief Executive Officer currently also holds office as Chief Risk Officer, the performance criteria taken into account under the policy on his remuneration are distinct and independent with respect to the areas of business that he controls. Furthermore, the remuneration awarded to the Deputy Chief Executive Officer on account of said office consists solely of a fixed component.

iii. Components of remuneration of corporate officers for the 2018 financial year

- The corporate officer remuneration policy consists in breaking remuneration down into:
  - a fixed component, equivalent to a fixed amount of remuneration paid in cash and determined on the basis of the corporate officer's role, level of responsibility and experience;
  - a variable component linked to achievement of the main operational objectives and subject to the following principles that apply to all risk takers.

Principles that apply to the variable component	Application
The amount of the variable component must be equal to or less than the fixed component.	The variable component considered is the Group Variable Component (GVC). This variable component of remuneration does not exceed 100% of the fixed component. The baseline variable component is 20%, 30% or 75% of the fixed component, depending on the position concerned, to which are added boosters related to performance criteria. At most, the variable component may thus be 30.55%, 51.75% or 93.75% respectively.
The variable component must take account of the performance of the individual and of the business unit concerned and of the overall results of the institution. The assessment of performance must be set in a multi-year framework and take into account all of the risks to which the institution is exposed.	- The RCI GVC is made up of three parts, if the operating margin threshold is reached - Group part: 30% or 40% of the group total earned margin. - Function- or country-related part: 30% of country total earned margin or group operating ratio. - Individual part: 40% or 30% depending on position. The variable component paid to eligible employees tasked with control takes into account performance indicators related to risks and to the operating margin. - If the Group operating margin threshold is not reached, no GVC is awarded.
Payment of the variable remuneration component shall be spread over a period established in accordance with the specific business cycle of the credit institution. At least 40% of the variable remuneration component shall be deferred over a period of at least three years. Remuneration payable under deferral arrangements shall vest no faster than on a pro-rata basis.	Under the scheme adopted, deferment concerns amounts that exceed 50,000 euros. In the case of amounts over 83,300 euros, 40% of the variable component shall be deferred over a 3-year period.
At least 50% of the variable component must be allocated as shares or other instruments that can be converted to Common Equity Tier instruments.	As shares in RCI Banque are non-listed, RCI has put in place a subordinated instrument (term account) that can be written down in full in the event that the RCI Group's situation is downgraded.
The variable component may be subject to malus or clawback arrangements. Criteria for the application of such arrangements shall in particular include the conduct or behavior of the person concerned.	In the scheme adopted, these rules are implemented.

II - REMUNERATION OF CORPORATE OFFICERS FOR THE 2017 FINANCIAL YEAR

Remuneration payable or awarded for the 2017 financial year to the Chief Executive Officer and Deputy Chief Executive Officer, detailed in the notes referring to corporate officer remuneration in relation to Article L.225-37-3 of France's Commercial Code (Code de Commerce), shall be examined by the Remuneration Committee before being submitted by the Board of Directors to the Annual General Meeting of Shareholders for its binding vote.

In this respect, the Annual General Meeting scheduled for 22 May 2018 will be asked to approve by means of a separate resolution the remuneration payable or awarded for the 2017 financial year to the Chief Executive Officer and to the Deputy Chief Executive Officer.

It is stipulated that variable or one-off items of remuneration payable on account of the offices concerned may only be paid after such Annual General Meeting approval of remuneration. The approval of the Annual General Meeting is also required for any changes to items of remuneration and for the re-election of said officers for a new term of office.

Consolidated **financial statements**

KPMG S.A.
Siège social
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris La Défense Cedex
France

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
France

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2017

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

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Basis for Opinion

Audit Framework

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

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

Independence

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

Justification of Assessments - Key Audit Matters

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

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

Individual impairment losses on receivables from dealer network

- *Risk identified*

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

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

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

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

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

- *Our audit response*

Our procedures regarding individual impairment mainly consisted in:

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

Statistical impairment of receivables from retail customers

- *Risk identified*

Retail customer receivables amount to 33,349 million euros as at December 31, 2017.

As indicated in note 3.E) to the consolidated financial statements, impairment losses for credit risk on retail customers are calculated on an individual and statistical approach using models.

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

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

- *Our audit response*

Our procedures regarding statistical impairment mainly consisted in:

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

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

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

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

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

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

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

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

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

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

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

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

Objectives and audit approach

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

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

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Accounts and Audit Committee

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

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

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

Paris La Défense, February 23, 2018

The statutory auditors
French original signed by

KPMG S.A.
Valéry Foussé
Partner

ERNST & YOUNG Audit
Bernard Heller
Partner

CONSOLIDATED BALANCE SHEET

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

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

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2017	12/2016
Interest and similar income	24	1,992	1,844
Interest expenses and similar charges	25	(769)	(761)
Fees and commission income	26	492	27
Fees and commission expenses	26	(209)	(17)
Net gains (losses) on financial instruments at fair value through profit or loss	27	18	9
Net gains (losses) on AFS securities and other financial assets	28	(4)	1
Income of other activities	29	808	1,050
Expense of other activities	29	(700)	(681)
NET BANKING INCOME		**1,628**	**1,472**
General operating expenses	30	(514)	(456)
Depreciation and impairment losses on tangible and intangible assets		(8)	(7)
GROSS OPERATING INCOME		**1,106**	**1,009**
Cost of risk	31	(44)	(104)
OPERATING INCOME		**1,062**	**905**
Share in net income (loss) of associates and joint ventures	8	15	7
Gains less losses on non-current assets			
PRE-TAX INCOME		**1,077**	**912**
Income tax	32	(329)	(286)
NET INCOME		**748**	**626**
Of which, non-controlling interests		27	24
Of which owners of the parent		721	602
Net Income per share (1) in euros		**720.85**	**601.59**
Diluted earnings per share in euros		**720.85**	**601.59**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

In millions of euros	Share capital (1)	Attribut. reserves (2)	Consolid. reserves	Translation adjust. (3)	Unrealized or deferred P&L (4)	Net income (Share-holders of the parent company)	Equity (Share-holders of the parent company)	Equity (Non-controlling interests)	Total Consolidated equity
Equity at 31 December 2015	**100**	**714**	**2,295**	**(168)**	**2**	**539**	**3,482**	**13**	**3,495**
Appropriation of net income of previous year			539			(539)			
Equity at 1st January 2016	**100**	**714**	**2,834**	**(168)**	**2**		**3,482**	**13**	**3,495**
Change in value of financial instruments (CFH & AFS) recognized in equity					(16)		(16)	(12)	(28)
Actuarial differences on defined-benefit pension plans					(8)		(8)		(8)
Exchange differences				(7)			(7)	1	(6)
Net income for the year (before appropriation)						602	602	24	626
Total comprehensive income for the period				**(7)**	**(24)**	**602**	**571**	**13**	**584**
Dividend for the year								(14)	(14)
Repurchase commitment of non-controlling interests			(7)				(7)	2	(5)
Equity at 31 December 2016	**100**	**714**	**2,827**	**(175)**	**(22)**	**602**	**4,046**	**14**	**4,060**
Appropriation of net income of previous year			602			(602)			
Equity at 1st January 2017	**100**	**714**	**3,429**	**(175)**	**(22)**		**4,046**	**14**	**4,060**
Change in value of financial instruments (CFH & AFS) recognized in equity					2		2	(3)	(1)
Actuarial differences on post-employment benefits					(1)		(1)		(1)
Exchange differences				(76)			(76)	(2)	(78)
Net income for the year (before appropriation)						721	721	27	748
Total comprehensive income for the period				**(76)**	**1**	**721**	**646**	**22**	**668**
Effect of acquisitions, disposals and other			(2)				(2)	20	18
Dividend for the year								(53)	(53)
Repurchase commitment of non-controlling interests			(6)				(6)	32	26
Equity at 31 December 2017	**100**	**714**	**3,421**	**(251)**	**(21)**	**721**	**4,684**	**35**	**4,719**

(1) The share capital of RCI Banque S.A. (100 million euros) consists of 1.000.000 fully paid up ordinary shares with par value of 100 euros each, of which 999.999 ordinary shares are owned by Renault S.A.S.
(2) Attributable reserves include the share premium account of the parent company.
(3) The change in translation adjustments at 31 December 2017 relates primarily to Argentina, Brazil, the United Kingdom, South Korea, Russia and Turkey. At 31 December 2016, it related primarily to Argentina, Brazil, the United Kingdom, Russia, Turkey and South Korea.
(4) Includes changes in the fair value of derivatives used as cash flow hedges and available-for-sale assets for -€7m and IAS 19 actuarial gains and losses for -€14m at end-December 2017.

CONSOLIDATED CASH FLOW STATEMENT

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RCI Banque S.A., the group's parent company, is a limited company (Société Anonyme under French law) with a Board of Directors and a fully paid up share capital of 100,000,000 euros. It is subject to all legislation and regulations applicable to credit institutions and is listed on the Bobigny Register of Trade and Companies under number 306 523 358.

RCI Banque S.A.'s registered office is located at 15, rue d'Uzès 75002 Paris, France.

RCI Banque S.A.'s main business is to provide financing for the Alliance brands.

The consolidated financial statements of the RCI Banque S.A. group as at 31 December relate to the Company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The RCI Banque group's consolidated financial statements for the year 2017 were established by the Board of Directors on 12 February 2018 and will be presented for shareholder approval to the Annual General Meeting on 22 May 2018.

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

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2017

- RCI Colombia S.A., in which a 51% stake is held, has been included in the scope of consolidation since February 2017 as a fully consolidated new entity. Its business mainly consists in financing customer and dealer sales in Colombia.
- A new Fonds commun de titrisation issue:
  - In July 2017, Cars Alliance DFP Germany issued AAA-rated notes backed by independent dealer receivables for €675 million.

Foreign affiliates that do not have a tax agreement with France

In accordance with the Order of 6 October 2009 in application of Article L.511-45 of the Code monétaire et financier (French Monetary and Financial Code), RCI Banque declares that it has a 95% holding in RCI Servicios Colombia S.A. in Colombia.

The business of RCI Servicios Colombia S.A. consists in receiving commissions on lending provided to a business partner. This affiliate's main management indicators are monitored on a monthly basis. At 31 December 2017, its income before tax came to €1.26m.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, the RCI Banque group has prepared its consolidated financial statements for 2017 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) to 31 December 2017 and as adopted in the European Union by the statement closing date.

A - CHANGES IN ACCOUNTING POLICIES

The RCI Banque group applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2017.

New standards, improvements and amendments application of which became mandatory as of 1 January 2017

Amendment to IAS 7	Disclosure initiative
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses
Annual improvements 2014-2016	Various provisions

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

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

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

(1) Early application possible.

IFRS 9 - Financial Instruments:

IFRS 9 - Financial Instruments, published by the IASB in July 2014 to replace IAS 39 "Financial Instruments: Recognition and Measurement", covers the following three phases: classification and measurement, impairment, and hedge accounting. The IASB is treating macro hedging as a separate project.

IFRS 9, implementation of which will be mandatory as from 1st January 2018, has been adopted by the European Union. Its impact on RCI Banque's financial statements is currently being analyzed.

The changes brought by IFRS 9 include:

- an approach to the classification and measurement of financial assets reflecting the business model in which they are managed and their contractual cash flows: loans and debt instruments that are not considered as "basic" under the standard (Solely Payments of Principal and Interest) will be measured at fair value through profit or loss, whereas "basic" loans and debt instruments will be measured at amortized cost or fair value through equity, depending on the management model used for those assets. The changes relating to financial liabilities concern liabilities measured at fair value through profit or loss, for which changes in own credit risk must be recognized in equity.
- a single credit risk impairment model: IFRS 9 moves from provisioning based on actual credit losses to a forward-looking provisioning model based on expected credit losses:
  - The new impairment model will require 12-month expected credit losses on issued or acquired instruments to be booked as soon as those instruments are recognized on the balance sheet.
  - Lifetime expected credit losses will have to be recognized whenever there is a significant increase in credit risk since initial recognition.
- a noticeably reformed approach to hedge accounting: the aim of the IFRS 9 model is to better reflect risk management, notably by extending eligible hedging instruments. Pending a future macro-hedging standard, IFRS 9 allows current hedge accounting rules (IAS 39) to be applied to all hedging relationships or just to macro hedging relationships.

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

- the consolidated financial statements for financial year 2017 presented as the comparative period have not been restated to take IFRS 9 into account; they reflect the accounting principles in effect under IAS 39 "Financial Instruments– Recognition and Measurement" and are therefore identical to the financial statements published in the previous year;
- the book value differences for financial assets on the date of initial implementation of IFRS 9 have been recorded under Equity in Reserves; the "Effects of restatements of financial assets" table summarizes these restatements;
- the classification of financial assets has been performed in accordance with the business model the Group follows in its management of such assets.

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

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

a) Business model criteria

Generally speaking, the RCI Banque group's business model is as follows; the aim is to

- to hold customer contracts so as to collect contractual cash flows ("collect business model");
- hold securities so as to collect cash and sale flows ("collect & sale business model").

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

b) SPPI test

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

A SPPI test has been uniformly developed in accordance with IFRS 9, and a "SPPI questionnaire" defined by the RCI Banque Group Consolidation & Standards unit.

The purpose of this questionnaire is to identify those financial instruments that need to be reclassified and those for which further analyses might be required (or that need to be restructured). Focus points are: pricing formula (indexing, leverage), early redemption clauses and step-up clauses.

As a result:

UCITS measured at fair value through other comprehensive income (FVTOCI) are now to be measured at fair value through profit or loss (FVTPL). This is the only type of asset that does not pass SPPI tests at RCI.

With respect to the other categories of financial assets under IFRS 9, in particular financing receivables, SPPI tests are validated. Note that the factoring agreement has been amended in order to pass the SPPI test (withdrawal of the indexing clause).

Reminder

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

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

Presentation of the new IFRS 9 categories

Assets:

Changes to be noted are:

- UCITS are now measured at fair value through P&L (under IAS 39, they were measured at fair value through OCI): they do not pass SPPI tests;
- non-consolidated holdings measured at fair value through P&L (under IAS 39, they were at historical cost): RCI Banque is not going to apply the alternative method and so this type of security is now measured at fair value through P&L.

There are no measurement changes for any other categories.

Liabilities:

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

Significant deterioration in risk (definition of bucketing):

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

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

This segmenting of transactions by level of risk, brought in by the standard, will have to be embedded in the credit risk monitoring and management processes used by the group's entities, and implemented in operational systems.

In that significant deterioration in risk is determined in relation to the moment of approval, the date of origination needs to be defined.

The date of origination is defined for each individual financial instrument, not for each counterparty (e.g. date on which business relationship initiated). The date of origination is defined as follows:

- for irrevocable financing commitments, the date of origination is the date on which the commitment is signed, or in the case of Dealer financing commitments, the date of the most recent review of limits;
- for installment loan outstandings, finance lease and operating lease transactions, the date of origination is the date on which they come under management, i.e. date on which the financing commitment is reversed and the receivable recognized on the balance sheet;
- for Dealer credit "single account" outstandings, the date of origination will be the date on which the account most recently went into a negative balance;
- for securities, the date of origination is the date of purchase.

Indicators for identifying significant deterioration in risk since origination.

The RCI Banque group has analysed the fitness for purpose and availability of these indicators, and their appropriateness from the risk management perspective across all of these portfolios.

In line with the principle of proportionality, this analysis identified a number of main portfolio families according to the following criteria:

- Geographical criteria: countries that have an internal rating system for most of their outstandings based on behavioral scores used to monitor the quality of facilities in the portfolio are to be identified separately. These countries are known as the "G7 countries". The other countries have approval scoring but do not have internal rating systems that are updated during the receivable lifecycle;
- Product criteria: loans to Customers or Dealers, which are subject to advanced monitoring by means of specific indicators, need to be looked at separately from other more "marginal" types of product in the group's activities, such as factoring, the securities portfolio and operating leases;
- Customer criteria: a distinction needs to be made between the different customer bases considered, for example Consumers, Dealer network, very large companies, and even banks and governments (for securities).

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

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

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

There is no contagion principle in IFRS 9 for non-doubtful facilities: an entity may have various contracts with a given counterparty that are in different buckets, as credit risk is assessed in relation to contract origination.

As regards entities that do not have an internal rating system for their loans to customers, the RCI Banque group has decided to introduce a memory effect with respect to the existence of past arrears, meaning that once an overdue payment has been settled, the facility concerned will temporarily remain in bucket 2.

Rebuttable presumption of significant deterioration when payments are more than 30 days past due.

The standard introduces a rebuttable presumption for payments that are more than 30 days past due §5.5.11. It allows use of this presumption as a safety net on top of other, earlier, indicators of a significant increase in credit risk.

This presumption is aligned with risk monitoring and management practices within the RCI Banque group. Consequently, the group has decided not to refute this presumption and to consider that all facilities for which payments are more than 30 days past due are in bucket 2.

Rebuttable presumption of signification deterioration when payments are 90 days past due

IFRS 9 indicates a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

This presumption is aligned with the current definition of default within the RCI Banque group as presented above. Consequently, the group has decided not to refute this presumption and to consider that all facilities with payments that are more than 90 days past due are in bucket 3.

This presumption may however be refuted for certain targeted portfolios (e.g. loans to large companies) with the agreement of the Corporate risk department concerned. At each statement closing date, facilities for which this presumption has been refuted will be listed and the reason duly documented.

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

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

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

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

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

Definition of default used at RCI Banque

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

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

The decision to take the doubtful debt accounting notion existing under IAS 39 as a basis for identifying B3 assets was made for the following reasons:

- Insignificant differences between the two notions;
- Continuity in the doubtful debt base between IAS 39 and IFRS 9.

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

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

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

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

Reminder: Compromised receivables are doubtful loans for which the likelihood of collection is remote and that are expected to be written off.

A receivable is classified as compromised when the counterparty is declared to have defaulted, or in leasing, when the lease agreement is terminated, and in any event, one year at the latest after the receivable has been classified as doubtful.

If after a receivable has been reclassified as sound, the debtor does not meet the payment deadlines set, that receivable is immediately downgraded to compromised receivable status.

Purchased or originated credit impaired loans (POCI): these financial assets, which are credit-impaired at the time of their creation (loans to a doubtful dealer for example) are treated differently, as they are impaired at initial recognition. Such transactions are classified in Bucket 3 at initial recognition.

Within the RCI Banque group, this category mainly concerns the Dealer customer base, which may continue to receive financing even when the dealer has been classified as defaulted. This category of receivables must be kept to a minimum and is subject to Risk Committee agreement.

The acquisition of receivables (doubtful or sound) is not part of the RCI Banque group's business model.

The following are not included as receivables in default:

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

Calculating ECL (phase 2):

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

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

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

This general impairment model can be illustrated as follows:

Evolution in credit risk since initial recognition

Bucket 1	Bucket 2	Bucket 3
No significant increase in credit risk (initial recognition*)	Significant increase of credit risk since the initial recognition except for financial assets with low credit risk at the reporting date	Credit impaired
Impairment equivalent to		
12-month excepted credit losses (ECL)	Lifetime excepted credit losses (ECL)	Lifetime excepted credit losses (ECL)
Interest revenue		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost (net carrying amount after deduction of excepted losses)

** Except in case of credit impairment at the initiial recognition.*

POCI = refer to definition of default

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

1. The aim is a relative approach to deterioration per instrument rather than an absolute approach based on the crossing of a single risk threshold.
2. The provisioning model for expected losses has to be applied symmetrically in the event of a deterioration in credit risk as well as in the event of an improvement
3. The system has to be prospective (forward-looking) with respect not only to aspects of significant deterioration in credit risk, but also in the measurement of expected credit losses

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

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

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

As a reminder, a lifetime expected credit loss calculated for Bucket 2 is equivalent to determining the expected loss if the facility goes into default at a given point in its lifetime.

In the repayment loan context, the amount to which the group will be exposed depends greatly on the point in time at which the future default event is recorded. Therefore it is important to take repayment schedules into account, so as to give a realistic overview of future exposure.

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

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

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

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

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

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

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

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

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

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

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

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

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

Instalment loan outstandings

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

Finance lease outstandings (recognition according to IAS 17)

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

Operating lease receivables due (recognition according to IAS 17)

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

Off-balance sheet commitments

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

Securities in assets

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

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

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

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

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

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

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

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

Lot 5: other financial assets

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

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

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

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

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

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

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

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

Lot 5: simplified method of provisioning.

Hedge accounting (phase 3)

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

IFRS 15 - Revenue from contracts with customers:

On 29 October 2016, IFRS 15 "Revenue from contracts with customers" was published in the Official Journal of the European Union. This standard will replace IAS 11 and IAS 18 and the related IFRIC and SIC interpretations. It puts forward a new five-step revenue recognition approach. It could have impacts on recognition of revenue from contracts containing several performance obligations with transaction prices that have a variable component, and on contracts that have a financing component. IFRS 15 also presents a new approach to accounting for warranties, distinguishing between assurance-type warranties and service-type warranties.

The analysis work currently in progress is not leading to the identification of any major changes in revenue recognition.

This standard is effective from 1 January 2018 and may be adopted early. The group is considering applying this new standard as from 1January 2018 using the retrospective method.

IFRS 16 - Leases:

The group is also examining the new IFRS 16 “Leases”, adoption of which by the European Union is expected in 2017.

New IFRS standards not adopted by the European Union		Effective date according to the IASB
IFRS 16	Leases	1st january 2019

On 16 January 2016, the IASB published IFRS 16 "Leases", which will replace IAS 17 and the related IFRIC and SIC interpretations and, for the lessee, will eliminate the distinction previously made between operating leases and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a financial liability representing its obligation to make lease payments. The right-of-use asset is amortized and the obligation to make lease payments is measured initially at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is to be used.

On the other hand, for the lessor, the treatment of leases under this standard is very similar to that under the existing standard.

This standard is effective from 1 January 2019 and may be adopted early.

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

IFRS 17 - Insurance Contracts:

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

IFRS 17 Insurance Contracts was published on 18 May 2017 by the IASB. Subject to its adoption by the European Union, it will become effective in 2021. It replaces the current IFRS 4 Insurance Contracts.

At this stage, the group does not intend to early adopt the accounting standard.

B- CONSOLIDATION PRINCIPLES

Scope and methods of consolidation

The consolidated financial statements incorporate the accounts of companies over which the group directly or indirectly (subsidiaries and branches) exercises control, within the meaning of IFRS 10 (associate companies or joint control - joint ventures).

Associate companies and joint ventures are accounted for under the equity method (IFRS 11).

The securitized assets of Diac S.A., RCI FS Ltd, Banco RCI Brasil S.A, and the Italian and German branches, as well as the loans granted to Renault Retail Group, inasmuch as the majority of the risks and benefits thereof are retained by the RCI Banque group, remain on the asset side of the balance sheet.

Significant transactions between consolidated companies are eliminated, as are unrealized intercompany profits.

For the most part, the companies included in RCI Banque's scope of consolidation are the Renault, Nissan, Dacia, Samsung and Datsun vehicle sales finance companies and the associated service companies.

Acquisition cost of shares and goodwill

Goodwill is measured at the acquisition date, as the excess of:

- The total amount transferred, measured at fair value, and any participation amount which does not give controlling interest in the acquired company

And

- The net carrying amounts of acquired assets and liabilities

Costs related to the acquisition such as broker's commissions, advisory fees, legal, accounting, valuation and other professional and consulting fees, are recorded as expenses for the periods when costs are incurred and services received.

Debt issuance or equity costs are accounted for under IAS 32 and IAS 39.

If the business combination generates a negative goodwill, it is recorded immediately in the profit and loss account.

An impairment test is performed at least annually and whenever there is an indication of a loss in value, by comparing the book value of the assets with their recoverable amount, the latter being the highest value between the fair market value (after deducting the cost of disposal) and the going concern value. The going concern value is based on a market approach and determined by using multiples for each group of cash-generating units, which comprise legal entities or groups thereof in the same country. A single discounting value is used for all cash-generating units thus tested, which is the risk-free 10-year forward rate augmented by the average risk premium for the sector in which they operate.

One-year data projections about profit or loss are used.

Goodwill is therefore measured at its cost less any accrued impairment losses. If impairment is found, the impairment loss is recognized in the income statement.

Transactions with non-controlling interests (purchases/sales) are booked as capital transactions. The difference between the amount received or paid and the book value of the non-controlling interests sold or bought is recognized directly in equity.

Non-controlling interests

The group has granted buy-out commitments on the interests held by minority shareholders in fully consolidated subsidiaries. For the group, these buy-out commitments represent contractual obligations arising from the sales of put options. The exercise price for these options is determined by estimating the price the RCI Banque group would have to pay out to the non-controlling interests if the options were exercised, taking into account future returns on the financing portfolio existing at the closing date and the provisions set out in the cooperation agreements concerning the subsidiaries.

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities for a total amount of €154m at 31 December 2017, against €203m at 31 December 2016. This liability is initially measured at the present value of the estimated exercise price of the put options.

The counterpart entries for this liability are booked as decreases in the non-controlling interests underlying the options and, for the balance, a decrease in equity attributable to the owners of the parent company. The obligation to recognize a liability even though the put options have not been exercised means that, in order to be consistent, the group has applied the same accounting treatment initially as that applied to increases in its proportionate interests in controlled entities.

If the options have not been exercised when this commitment expires, the previous entries are reversed. If the options are exercised and the buyout is made, the amount recognized as a liability is extinguished by the cash outlay associated with the buy-out of the non-controlling interests.

C - PRESENTATION OF THE FINANCIAL STATEMENTS

The summary statements are presented in the format recommended by the Autorité des Normes Comptables (French Accounting Standards Authority) in its Recommendation 2013-04 of 7 November 2013 on the format of consolidated financial statements for banking sector institutions applying international accounting standards.

Operating income includes all income and expense directly associated with RCI Banque group operations, whether these items are recurring or result from one-off decisions or transactions, such as restructuring costs.

In 2016, the group made a change to the presentation of its financial statements, relating to the classification of taxes that meet the definition of a tax computed on a net interim result within the meaning of IAS 12 "Income Taxes" as current taxes on the income statement and balance sheet.

This change of classification concerns the French CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) tax paid by French entities.

D - ESTIMATES AND JUDGMENTS

In preparing its financial statements, RCI Banque has to make estimates and assumptions that affect the book value of certain assets and liabilities, income and expense items, and the information disclosed in certain Notes. RCI Banque regularly reviews its estimates and assessments to take account of past experience and other factors deemed relevant in view of economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in RCI Banque's future financial statements could differ from current estimates. The main items in the financial statements that depend on estimates and assumptions are the recoverable value of loans and advances to customers and allowances for impairment and provisions.

These estimates are taken into account in each of the relevant Notes.

E - LOANS AND ADVANCES TO CUSTOMERS AND FINANCE LEASE CONTRACTS

Measurement (excluding impairment) and presentation of loans and advances to customers

Sales financing receivables from end customers and dealer financing receivables come under the category of "Loans and advances issued by the company". As such, they are initially recorded at fair value and carried at amortized cost calculated according to the effective interest rate method.

The effective interest rate is the internal rate of return to maturity or, for adjustable-rate loans, to the nearest rate adjustment date. The discounted amount of amortization on any difference between the initial loan amount and the amount payable at maturity is calculated using the effective interest rate.

In addition to the contractual component of the receivable, the amortized cost of sales financing receivables includes interest subsidies received from the car maker or dealer as part of promotional campaigns, handling fees paid by customers, and commissions paid for referral of business. These items, which are all factors in the return on the loan, are either deducted from or added to the amount receivable. They are recognized in the income statement as a pro-rated portion discounted at the effective interest rate for the receivables to which they apply.

Finance lease contracts, as identified by the rules described in Part E, are in substance booked as sales financing receivables.

Income from the resale of vehicles at the end of finance lease contracts is included under "Net income / (expense) of other activities".

As a result, gains and losses on the resale of vehicles coming off performing lease agreements, amounts charged to or recovered from allowances for risks on residual values, and gains or losses resulting from damage to vehicles less any corresponding insurance settlements, are recorded under "Other income related to banking operations" and "Other expenses related to banking operations".

Identifying credit risk

The RCI Banque group currently uses a number of different internal rating systems:

- A group-wide rating for borrowers in the Dealer segment, which is used during the various phases of the relationship with the borrower (initial approval, risk monitoring, provisioning),

- A group-wide rating for bank counterparties, which is established on the basis of external ratings and each counterparty's level of capital,
- For "Customer" borrowers, different acceptance scoring systems are used; these vary by affiliate and by type of financing.

Whenever the full or partial collection of a receivable is in doubt, that receivable is classified in one of the following two categories:

- Doubtful loans: a receivable is classified as doubtful not later than when installments remain unpaid for more than three months. When a receivable is classified as doubtful, the full amount of credit outstanding to the customer concerned is transferred to the doubtful loan category.
- Compromised loans: a receivable is classified as compromised when the counterparty is declared to have defaulted on a loan or when a lease agreement is terminated due to deterioration in the counterparty's financial position. If there is no formal default or termination, the receivable is transferred to this category no later than one year after it was classified as doubtful.

Because local management practices vary, default and termination do not occur at the same point in time in the different countries where the RCI Banque group operates. However, local practices do converge to a certain extent within the major geographical regions:

- Northern Europe: default or termination generally occurs within the three to four month period following the first unpaid installment,
- Southern Europe: default or termination generally occurs within the six to eight month period following the first unpaid installment,
- South America: default or termination generally occurs within the six to eight month period following the first unpaid installment.

A doubtful loan is reclassified as a performing loan once all overdue amounts have been paid.

Forborne exposures

The RCI Banque group uses the definition given by the European Banking Authority (EBA) in its ITS (Implementing Technical Standards) 2013/03 rev1 of 24.07.2014 to identify its forborne exposures (restructured loans).

Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

It thus refers to cases where there is:

• a modification of the terms and conditions of a contract in order to give the customer in financial difficulties the chance to meet their commitments (such as a change to the number of repayments, extension of term, change to installment amount, change to customer interest rate),

• a total or partial refinancing of a troubled debt contract (instead of terminating it) that would not have been granted had the customer not been in financial difficulties.

The classification of contracts as forborne exposures is separate from provisioning (for example, a contract that is forborne and returns to being considered as performing will not be provisioned and yet will be classified as a forborne exposure throughout the probation period).

Receivables whose characteristics have been commercially renegotiated with counterparties not in financial difficulties are not identified as forborne exposures.

The definition of forborne exposure is applied at the level of the individual contract ("facility") that is forborne, and not at the level of the third party (no contagion principle).

Financial difficulties however, are assessed at the debtor level.

The forbearance classification of a contract is discontinued when all of the following conditions are met:

- The contract is considered as performing and analysis of the financial condition of the debtor shows that they have recovered their creditworthiness and debt service ability,
- A minimum 2-year probation period has passed from the date the forborne exposure returned to being considered as performing,
- Regular and significant payments have been made by the debtor during at least half of the probation period,
- None of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

If a contract currently considered as performing but previously classified as forborne again benefits from forbearance measures (such as an extension of term) or if any of the exposures to the debtor is more than 30 days past-due, it must be re-classified as a forborne exposure

Impairment for credit risk

Impairment allowances are established to cover risks of non-recovery. The amount of these allowances is determined on an individual basis (either case by case or via statistical risk analysis), or on a collective basis. These impairment allowances are recorded on the asset side of the balance sheet as deductions from the asset items with which they are associated.

Customer lending

A statistical approach on an individual basis is applied on loans to Customers. The aim is to estimate ultimate losses on doubtful loans, compromised loans, compromised loans being understood as doubtful loans more than 360 days old, and loans with missed or late payments. Customer loans are grouped into risk classes representative of the type of financing and goods financed.

The projected cash flows used for the statistical estimation of impairment are calculated by applying a periodic recovery factor based on the age of the receivable to the amount owed at the time of default. Recovery cash flows are projected over several years, and the last flow at the end of the period represents a lump-sum value of recoveries beyond that period. The recovery factors used are based on the observation of actual collections, smoothed over a twelve-month period.

The impairment allowance for doubtful loans is calculated by comparing the estimated recoverable value, which consists of the discounted projected collections, with the carrying value of the loans concerned. Bearing in mind the statistical nature of the method used to measure projected collections, the estimated recoverable value is not calculated individually for each loan, but on a collective basis for a given generation of loans.

Impairment charges on loans that are overdue but not doubtful are determined as a function of the probability that the loans will be reclassified as doubtful and the recovery factor that will apply if they are. This is "incurred loss", the established fact being a default on payment under 3 months.

Receivables that are delinquent and doubtful are monitored on a case by case basis. In the event that the individual approach is not appropriate, then impairment is determined statistically according to classification of the debtor companies and the stage reached in collection or other proceedings.

As soon as a financial asset or group of similar financial assets has been impaired following a loss in value, any later interest income items are recognized on the basis of the interest rate used to discount future cash flows in order to measure loss in value.

Dealer financing

Impairment allowances for credit risks on dealer financing are determined according to three types of receivable: delinquent, doubtful and performing, compromised receivables being understood as doubtful outstandings more than 360 days old, The factors and events triggering classification of a receivable as one of the aforementioned types and the principle used to determine impairment allowances are described hereafter.

An individual impairment allowance is determined for non- doubtful receivables (delinquent or performing) either by means of a statistical approach (last three years' history) or by means of an internal expert appraisal validated by the group Committee of Dealer Risk Experts, chaired by members of the Executive Board. Classification of a receivable as delinquent is triggered by such factors and events as a deterioration in the borrower's financial condition, a loss of profitability, erratic payment, or an inventory control anomaly.

Impairment allowances for doubtful receivables are determined individually and on a case-by-case basis, according to product outstandings (new vehicle, used vehicle, spare parts, cash, etc.) and to whether the debtor party has been classified as having pre-alert or alert status, and after a continued and critical deterioration of the abovementioned indicators by RCI Banque group line staff.

As regards non-doubtful and non-delinquent receivables that are therefore classified as performing receivables, collective impairment allowances based on the credit risks and systemic risks for each country assessed are made.

The impaired amounts are determined on the basis of the technical and segment parameters of the performing portfolio and are specific to each country. Impairment allowances for performing dealer financing assets that are recognized or reversed as systemic risks are combined under the "cost of dealer risk" item for the affiliates concerned in the consolidated income statement.

Country risk

Allowances for country risk are determined on the basis of the credit risk to which debtors in a country experiencing a continued and persistent deterioration in its economic situation are exposed.

Such allowances for impairment of assets are made for any non-euro zone country whose sovereign rating (Standard and Poor's) is lower than BBB+. With regard to the RCI Banque group's current portfolio, the following countries are concerned by this: Argentina, Brazil, Morocco and Romania.

The calculation consists in applying a projected default rate and a loss-given-default rate to non-current financing assets unimpaired on an individual basis and by country, but only with respect to outstandings from the Customer business. Dealer financing assets are already incorporated into impairment allowances for the dealer business on a similar calculation basis.

The projected default rate used depends on the residual term of the portfolio, the country's rating and the geographical area in which it is located (Emerging countries, Europe, North America). This default rate is an indicator of the probability of default (PD) of companies in the country concerned. The RCI Banque group uses the rates published by S&P for emerging countries and estimated on a historical basis using the period between 1996 and 2016. The loss-given-default (LGD) rate refers to that of Brazil and is calculated on a 12-month mean basis by internal expert appraisal according to the trend observed for the countries concerned. Should it prove necessary to take the particular situation of one or more countries into account, expert judgment approved internally beforehand is used.

On the balance sheet, impairment allowances for country risk are booked as deductions from the carrying value of loans and advances to customers. Such impairment allowances that are recognized or reversed as systemic risks are combined under the RCI Banque S.A. "Cost of Risk" item in the consolidated income statement.

Rules for writing off loans

When a receivable has presented an established risk for a period of three years and there is no evidence suggesting that it will ever be collected, the amount of the impairment allowance is reversed and the gross amount outstanding is transferred to receivables written off.

Impairment of residual values

The RCI Banque group regularly monitors the resale value of used vehicles across the board so as to optimize the pricing of its financing products.

In most cases, tables of quoted prices showing typical residual values based on vehicle age and mileage are used to determine the residual value of vehicles at the end of the contract term.

However, for contracts under which the trade-in value of the vehicle at the end of the contract term is not guaranteed by a third party outside the RCI Banque group, an impairment allowance is determined by comparing:

a) the economic value of the contract, meaning the sum of future cash flows under the contract plus the re-estimated residual value at market conditions on the measurement date, all discounted at the contract interest rate;

b) the carrying value on the balance sheet at the time of the measurement.

The projected resale value is estimated by considering known recent trends on the used vehicle market, which may be influenced by external factors such as economic conditions and taxation, and internal factors such as changes in the model range or a decrease in the car maker's prices.

The impairment charge is not offset by any profit on resale.

F - OPERATING LEASES (IAS17)

In accordance with IAS 17, the RCI Banque group makes a distinction between finance leases and operating leases.

The general principle that the RCI Banque group uses to classify leases as one or the other is whether the risks and rewards incidental to ownership are transferred to another party. Thus, leases under which the leased vehicle will be bought back by an RCI Banque group entity at the end of the lease are classified as operating leases since most of the risks and rewards are not transferred to a third party outside the group. The classification as operating leases of lease contracts that contain a buy-back commitment from the RCI Banque group also takes into account the estimated term of such leases. This lease term is far shorter than the economic life of the vehicles, which is put by the Renault Group at an estimated seven or eight years, depending on the type of vehicle. Consequently, all leases with this buy-back clause are treated as operating leases.

The classification of battery leases for electric vehicles as operating leases is justified by the fact that the RCI Banque group retains the risks and rewards incidental to ownership throughout the automobile life of the batteries, which is put at between eight and ten years, and so is much longer than the lease agreements.

Operating leases are recognized as non-current assets leased out and are carried on the balance sheet at the gross value of the assets less depreciation, plus lease payments receivable and transaction costs still to be staggered. Lease payments and impairment are recognized separately in the income statement in "Net income (expense) of other activities". Depreciation does not take into account residual values and is taken into the income statement on a straight line basis, as are transaction costs. Classification as an operating lease does not affect the assessments of counterparty risk and residual value risk.

Income from the resale of vehicles at the end of operating lease contracts is included in "Net income (or expense) of other activities".

G - TRANSACTIONS BETWEEN THE RCI BANQUE GROUP AND THE RENAULT-NISSAN ALLIANCE

Transactions between related parties are conducted following terms equivalent to those prevailing in the case of transactions subject to conditions of normal competition if these terms can be substantiated.

The RCI Banque group helps to win customers and build loyalty to Renault-Nissan Alliance brands by offering financing and providing services as an integral part of the Alliance's sales development strategy.

The main indicators and cash flows between the two entities are as follows:

Sales support

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

Relations with the dealer network

The RCI Banque group acts as a financial partner to ensure and maintain the sound financial health of the Renault-Nissan Alliance distribution networks.

At 31 December 2017, dealer financing net of impairment allowances amounted to €10.948m against €10.067m at 31 December 2016.

At 31 December 2017, direct financing of Renault Group subsidiaries and branches amounted to €937m against €747m at 31 December 2016.

At 31 December 2017, the dealer network had collected, as a business contributor, income of €757m against €645m at 31 December 2016.

Relations with the car makers

The RCI Banque group pays the car maker for vehicles delivered to dealers for which it provides financing.

Conversely, at the end of the contract, the Renault Group pays the RCI Banque group for vehicles taken back under financial guarantees made by the car maker. These transactions generate substantial cash flows between the two groups.

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the RCI Banque group. At 31 December 2017, this contribution amounted to €599m against €474m at 31 December 2016.

H - RECOGNITION AND MEASUREMENT OF THE SECURITIES PORTFOLIO (IAS 39)

RCI Banque's portfolio of securities is classified according to the financial asset categories specified in IAS 39.

Securities held for trading purposes

These are securities intended to be sold in the very near future or held for the purpose of realizing capital gains.

These securities are measured at fair value (including accrued interest), and changes in value are recognized in the income statement.

Securities available for sale

By default, this category ("AFS securities") includes all securities that are not intended to be held to maturity and that are not held for trading purposes.

- Debt instruments:

These securities are measured at fair value (including accrued interest) and changes in value (excluding accrued interest) are recognized directly in equity under a revaluation reserve. Accrued interest is recognized in the income statement. If there is an objective indication of the impairment of these securities, such as payment default or the increasing probability of borrower bankruptcy, the aggregate loss that has been recorded directly under equity must be removed from equity and recognized in the income statement.

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

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

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

I - NON-CURRENT ASSETS (IAS16/IAS36)

Non-current assets are carried and depreciated using the components approach. The components of an asset item, especially a complex asset, are treated as separate assets if their characteristics or useful lives are different, or if they generate economic benefits at different rates.

Property, plant and equipment is measured at historical acquisition cost less accumulated depreciation and impairment losses, if any.

Non-current assets other than land are generally depreciated on a straight-line basis over the following estimated useful lives:

- Buildings	**15 to 30 years**
- Other tangible non-current assets	**4 to 8 years**

J - INCOME TAXES (IAS 12)

The restatements of the annual financial statements of companies included in the scope of consolidation, made to bring them into line with IAS standards for financial reporting purposes, and the tax deferrals allowed in the statutory statements filed for tax purposes, give rise to timing differences in the recognition of income for tax and financial reporting purposes. A timing difference is also recognized whenever the book value of an asset or liability differs from its value for tax purposes.

These differences give rise to the recognition of deferred taxes in the consolidated financial statements. Under the liability method used by RCI Banque, deferred tax expense is calculated by applying the last tax rate in effect at the closing date and applicable to the period in which the timing differences will be reversed. Within a given taxable entity (company, establishment, or tax consolidation group), deferred tax assets and liabilities are presented on a net basis whenever the entity is entitled to offset its tax receivables against its tax payables. Deferred tax assets are written down whenever their utilization is unlikely.

For fully consolidated companies, a deferred tax liability is recognized for taxes payable on advance dividend distributions by the group.

K - PENSION AND OTHER POST-EMPLOYMENT BENEFITS (IAS 19)

Overview of plans

The RCI Banque group uses different types of pension and post-employment benefit plans:

• Defined benefit plans:

Charges are booked to provisions for these plans to cover:

- Indemnities payable upon retirement (France),
- Supplementary pensions: the main countries using this type of plan are the United Kingdom, the Netherlands and Switzerland.
- Mandated savings plans: this type of plan is used in Italy.

Defined-benefit plans are in some cases covered by funds. Such funds are subject to periodic actuarial valuation by independent actuaries. The value of such funds, if any, is deducted from the corresponding liability.

The RCI Banque group affiliates that use external pension funds are RCI Financial Services Ltd, RCI Financial Services BV and RCI Finance SA.

• Defined contribution plans:

In accordance with the laws and practices of each country, the group makes salary-based contributions to national or private institutions responsible for pension plans and provident schemes.

Such plans and schemes release the group from any later obligations, as the national or private institution is responsible for paying employees the amounts owed to them. Payments by the group are booked as expenses for the period to which they refer.

Valuation of liabilities for defined benefit plans

With respect to defined-benefit plans, the costs of post-employment benefits are estimated using the projected unit credit method. Under this method, benefit rights are allocated to periods of service according to the plan's vesting formula, taking into account a linearizing effect when rights are not vested uniformly over subsequent periods of service.

The amounts of future benefits payable to employees are measured on the basis of assumptions about salary increases, retirement age and mortality, and then discounted to their present value at a rate based on interest rates on the long-term bonds of top-grade issuers and on the estimated average term of the plan measured.

Actuarial gains or losses resulting from revision of the assumptions used in the calculation and experience-related adjustments are recognized as items of other comprehensive income.

The net expense of the period, corresponding to the sum of the cost of services rendered plus any past service costs, and to the cost of accretion of provisions less the return on plan assets is recognized in the income statement under personnel expenses.

Details by country are given in the notes to the balance sheet.

L - TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The presentation currency used by the group is the euro.

As a general rule, the functional currency used by foreign companies is their local currency. In cases where the majority of transactions are conducted in a currency other than the local currency, that currency is used.

To ascertain whether a country is in hyperinflation, the group refers to the list published by the AICPA's (American Institute of Certified Public Accountants) International Task Force. None of the countries in which RCI Banque does any significant amount of business features on this list.

The financial statements of the group's foreign companies are drawn up in their functional currency, and then translated into the group's presentation currency as follows:

- Balance sheet items other than equity, which are held at the historic exchange rate, are translated at closing exchange rates;
- Income statement items are translated at the average rate for the period, said rate being used as an approximation applied to underlying transactions, except in the event of significant fluctuations;
- Translation adjustments are included as a separate component of consolidated equity and do not affect income.

Goodwill and measurement differences realized when combining with a foreign company are treated as assets and liabilities of the acquired entity.

When a foreign company is disposed of, the translation differences in its assets and liabilities, previously recognized in equity, are recognized in the income statement.

M - TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions made by an entity in a currency other than its functional currency are translated and booked in the functional currency at the rate in effect on the date such transactions are made.

On the statement closing date, cash assets and liabilities in currencies other than the entity's functional currency are translated at the exchange rate in effect on that date. Gains or losses from such foreign currency translation are recorded in the income statement.

N - FINANCIAL LIABILITIES (IAS 39)

The RCI Banque group recognizes financial liabilities consisting of bonds and similar obligations, negotiable debt securities, securities issued as part of securitization transactions, amounts owed to credit institutions and savings deposits from customers.

Any issuance costs and premiums on financial liabilities are amortized on an actuarial basis over the term of the issue according to the effective interest rate method.

When first recognized, financial liabilities are measured at fair value net of transaction costs directly attributable to their issuance.

At each closing, financial liabilities are measured at amortized cost using the effective interest rate method, except when specific hedge accounting procedures are applicable. The financial expenses calculated in this way include issuance costs and issue or redemption premiums.

Financial liabilities covered by a fair value hedge are accounted for as described in: Derivatives and hedge accounting (IAS 39).

The group's medium-term and long-term issuance programs do not feature any clauses that might lead to acceleration of maturity of the debt.

O - STRUCTURED PRODUCTS AND EMBEDDED DERIVATIVES (IAS 39)

The group engages in a small number of structured transactions. These issues are hedged by derivatives so as to neutralize the embedded derivative and thereby obtain a synthetic adjustable-rate liability.

The only embedded derivatives identified within the RCI Banque group correspond to indexing clauses contained in structured bond issues. When embedded derivatives are not closely related to the host contract, they are measured and recognized separately at fair value. Changes in fair value are then recognized in the income statement. The structured issue with the embedded derivative extracted, i.e. the host contract, is measured and recognized at amortized cost.

Structured issues are associated with swaps of assets, whose characteristics are strictly identical to those of the embedded derivative, thereby providing an effective economic hedge. However, because the use of one derivative to hedge another derivative is prohibited by IAS 39, embedded derivatives that are separated from the host contract and swaps associated with structured issues are accounted for as if held for trading purposes.

P - DERIVATIVES AND HEDGE ACCOUNTING (IAS 39)

Risks

The RCI Banque group's management of financial risks (interest-rate risk, currency risk, counterparty risk and liquidity risk) is described in the "Financial risks" appendix of this document.

The RCI Banque group enters derivative contracts as part of its currency and interest-rate risk management policy. Whether or not these financial instruments are then accounted for as hedging instruments depends on their eligibility for hedge accounting.

The financial instruments used by RCI Banque can be classified as fair value hedges or cash flow hedges. A fair value hedge protects against changes in the fair value of the assets and liabilities hedged. A cash flow hedge protects against changes in the value of cash flows associated with existing or future assets or liabilities.

Measurement

Derivatives are measured at fair value when first recognized. Subsequently, fair value is re-estimated at each closing date.

In accordance with IFRS 13 "Fair Value Measurement", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At initial recognition in the accounts, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (exit price).

- The fair value of forward currency agreements and currency swaps is determined by discounting cash flows at market interest rates and exchange rates at the closing date. It also incorporates the measurement of interest rate and currency swap "base" effects.
- The fair value of interest-rate derivatives represents what the group would receive (or would pay) to unwind the running contracts at the closing date, taking into account unrealized gains or losses as determined by current interest rates at the closing date.

Credit adjustment

An adjustment is booked on the valuation of OTC derivative portfolios, excluding those cleared by a CCP, for counterparty credit risk (or CVA, Credit Valuation Adjustment) and own credit risk (or DVA, Debt Valuation Adjustment).

Exposure (EAD - Exposure At Default) is approximated by the mark-to-market (MTM) plus or minus an add-on, representing potential future risk and taking into account netting agreements with each counterparty. This potential future risk is estimated using the standard method recommended by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 274 on capital adequacy requirements applicable to credit institutions and investment companies).

Loss Given Default (LGD) is estimated by default at 60%.

Probability of default (PD) is the probability of default associated with each counterparty's CDS (Credit Default Swaps). In certain countries, if this information is unavailable, the approximated probability of default is that of the counterparty's country.

Fair value hedge

RCI Banque has elected to apply fair value hedge accounting in the following cases:

- hedging interest-rate risk on fixed rate liabilities using a receive fixed/pay variable swap or cross currency swap;
- hedging foreign exchange risk on foreign currency assets or liabilities using a cross currency swap.

Fair value hedge accounting is applied on the basis of documentation of the hedging relation at the date of implementation and of the results of fair value hedge effectiveness tests, which are performed at each balance sheet date.

Changes in the value of fair value hedging derivatives are recognized in the income statement.

For financial liabilities covered by a fair value hedge, only the hedged component is measured and recognized at fair value, in accordance with IAS 39. Changes in the value of the hedged component are recognized in the income statement. The unhedged component of these financial liabilities is measured and recognized at amortized cost.

If the hedging relationship is terminated before the end of its term, the hedging derivative is classified as an asset or liability held for trading purposes and the item hedged is recognized at amortized cost in an amount equal to its last fair value measurement.

Cash flow hedge

RCI Banque has elected to apply cash flow hedge accounting in the following cases:

- Hedging interest-rate risk on variable rate liabilities using a receive/pay fixed swap, enabling them to be backed by fixed rate assets (macro-hedge from the economic perspective);
- Hedging future or probable cash flows in foreign currency.

Cash flow hedge effectiveness tests are performed at each balance sheet date to ensure that the relevant transactions are eligible for hedge accounting. For the second type of hedging, the test performed entails ascertaining that interest-rate exposure on the cash flows from reinvestment of non-derivative financial assets is indeed reduced by the cash flows from the derivatives used for hedging.

Changes in the value of the effective part of cash flow hedging derivatives are recognized in equity, in a special revaluation reserve account.

Trading transactions

This line item includes transactions not eligible for hedge accounting under IAS 39 and currency hedging transactions to which the RCI Banque group has preferred not to apply hedge accounting.

Changes in the value of these derivatives are recognized in the income statement.

These transactions mainly include:

- foreign exchange transactions with an initial maturity of less than one year,

- identified embedded derivatives that are part of the group's structured issues, and the associated swaps,
- swaps contracted in connection with securitization transactions,
- variable/pay variable swaps in a given currency to hedge interest-rate risk on variable-rate issues.

Q - OPERATING SEGMENTS (IFRS 8)

Segment reporting is presented in the annual financial statements in accordance with IFRS 8 "Operating Segments".

RCI Banque is tasked with offering a comprehensive range of financing products and services to its two core markets: end Customers (Retail and Corporate) and the Renault, Nissan, Dacia, Samsung and Datsun brands Dealer network. These two segments have different expectations, needs and demands, and so each require a specific approach in terms of marketing, management processes, IT resources, sales methods and communication. Adjustments have been made to the group's organization to make it consistent with these two types of customer, to strengthen its management and support role and to increase its integration with Renault and Nissan, especially with respect to sales and marketing aspects.

In accordance with IFRS 8, segmentation by market has therefore been adopted as the operating segmentation method. This is in line with the strategic focus developed by the company. The information presented is based on internal reports sent to the group Executive Committee, identified as the "chief operating decision maker" under IFRS 8.

A breakdown by market is thus provided for the main income statement as well as for average performing loan outstandings in the corresponding periods.

Since 1 January 2009, as decided by the Executive Committee, the formerly separate Retail and Corporate segments have been consolidated into the single "Customer" segment. The breakdown of operating segments as required by IFRS 8 has followed the same segmentation.

The Dealer segment covers financing granted to the Renault-Nissan Alliance Dealer network.

The Customer segment covers all financing and related services for all customers other than Dealers.

Results are presented separately for each of these two market segments.

Refinancing and holding activities are grouped together under "Other activities".

Renault, Nissan, Dacia, Samsung and Datsun sales financing activities have been combined.

Business	Retail customers	Dealer network
Lending	✓	✓
Finance Lease	✓	NA
Operating Lease	✓	NA
Services	✓	NA

R - INSURANCE

The accounting policies and measurement rules specific to assets and liabilities generated by insurance contracts issued by consolidated insurance companies are established in accordance with IFRS 4.

Other assets held and liabilities issued by insurance companies follow the rules common to all of the group's assets and liabilities, and are presented in the same balance sheet and consolidated income statement items.

Technical liabilities on insurance contracts:

- Reserve for unearned premiums (non-life insurance): Technical reserves for unearned premiums are equivalent to the portion of the premiums relating to the period between the inventory date and the following endowment date. They are calculated by policy on a prorata daily basis.
- Policy reserves (life insurance): These are intended to cover the long-term obligations (or payment of benefits) resulting from the commitments given, and the costs of managing such contracts. They are calculated by policy on a prorata daily basis.
- Reserve for outstanding claims: the reserve for outstanding claims represents the estimation, net of outstanding recoveries, of the cost of all claims reported but not yet settled at the closing date. Outstanding claim reserves are calculated by claim file based on reserving rules set according to the insurance benefit definition.
- IBNR (Incurred But Not Reported) claim reserves: these are reserves for claims not yet reported. They are calculated according to an actuarial method (method type: "chain ladder"), where the ultimate claim charge is estimated from a statistical analysis of the payments development on past claim history. These estimations are performed in "Best Estimate", adding a calibrated prudential margin so that IBNR reserves are still sufficient even in case of a possible future adverse deviation in claim (not extreme shocks).

The guarantees offered cover death, disability, redundancy and unemployment as part of a loan protection insurance policy. These types of risk are controlled through the use of appropriate mortality tables, statistical checks on loss ratios for the population groups insured and through a reinsurance program.

Liability adequacy test: a goodness-of-fit test aimed at ensuring that insurance liabilities are adequate with respect to current estimations of future cash flows generated by the insurance contracts is performed at each statement of account. Future cash flows resulting from the contracts take into account the guarantees and options inherent therein. In the event of inadequacy, the potential losses are fully recognized in net income.

Income statement:

The income and expenses recognized for the insurance contracts issued by the RCI Banque group appear in the income statement in "Net income of other activities" and "Net expense of other activities".

4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

In a mixed economic environment, RCI Banque continues to implement a prudent financial policy and reinforces its liquidity management and control system.

Liquidity

RCI Banque pays great attention to diversifying its sources of access to liquidity. Since the start of the financial crisis, the company has largely diversified its sources of funding. In addition to its traditional bond investor base in euros, new investment areas have also been successfully worked.

By extending the maximum maturities of its issues in Euros to eight years, new investors looking for longer-term assets have been reached. The group has also moved into bond markets in numerous currencies (USD, GBP, CHF, PLN, BRL, ARS, KRW, MAD, etc.), to fund European assets and support growth outside Europe.

Recourse to funding through securitization transactions in private and public format also helps to expand the investor base.

The retail savings business, launched in February 2012 and now rolled out in four countries, has added to diversification of the company's sources of funding and helped it to adjust to the liquidity requirements arising from Basel 3 standards.

Oversight of RCI Banque's liquidity risk takes into account EBA recommendations on the Internal Liquidity Adequacy Assessment Process (ILAAP) and is based on the following components:

- ***Risk appetite:*** This component is determined by the Board of Directors' Risk Committee.
- ***Refinancing:*** The funding plan is constructed with a view to diversifying access to liquidity by product, by currency and by maturity. Funding requirements are regularly reviewed and clarified so that the funding plan can be adjusted accordingly.
- ***Liquidity reserve:*** The company's aim is to have available at all times a liquidity reserve consistent with its appetite for liquidity risk. The liquidity reserve consists of confirmed lines of credit, assets eligible as collateral in European Central Bank monetary policy transactions, High Quality Liquid Assets (HQLA), and financial assets. It is reviewed every month by the Financial Committee.
- ***Transfer prices:*** Refinancing for the group's European entities is mainly delivered by the Group Finance and Treasury Division, which centralizes liquidity management and pools costs. Internal liquidity costs are reviewed at regular intervals by the Financial Committee and are used by sales subsidiaries to construct their pricing.
- ***Stress scenarios:*** Every month, the Financial Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.
- ***Emergency plan:*** An established emergency plan identifies the steps to be taken in the event of stress on the liquidity position.

Credit business risk

By using the Probability of Default derived from scoring systems to manage new gross lending, portfolio quality across all major markets was maintained.

As the economic outlook remained uncertain, the centralized oversight of the approval policy introduced at the start of the crisis was maintained. Acceptance systems are adjusted according to stress tests updated quarterly for the main countries per market (retail customers, corporate customers). All in all, the quality of gross lending is in line with the objectives set.

In a constantly changing environment, RCI Banque's aim is to maintain overall credit risk at a level compatible with the expectations of the financial community and profitability targets.

Profitability

RCI Banque regularly reviews the costs of internal liquidity used to price customer transactions, thereby maintaining a margin on new lending in line with budget targets. Similarly, the pricing of financing granted to dealers is indexed on an internal base rate reflecting the cost of borrowed resources and liquidity cushions needed for business continuity. This method maintains a steady return for this business.

Governance

Liquidity indicators are the subject of particular scrutiny at each monthly financial committee meeting.

The country management committees also monitor risk and instant projected margin indicators more systematically, thereby supplementing the routine assessments of subsidiary profitability

Exposure to non-commercial credit risk

Exposure to bank counterparty risk mainly arises from the investment of temporary cash surpluses as short-term deposits, and from interest-rate or forex hedging with derivatives.

Such transactions are made with first-class banks approved beforehand by the Counterparty Committee. RCI Banque pays close attention to diversifying its counterparties.

To meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque now invests in liquid assets as defined in the European Commission's Delegated Act. These liquid assets mainly consist of deposits with the European Central Bank and securities issued by governments or supranational issuers held directly. The duration of this portfolio is less than one year.

In addition, RCI Banque has also invested in a fund whose assets consist of debt securities issued by European agencies and sovereigns and by supranational issuers. Targeted average exposure to credit risk is six years with a limit at nine years. The fund is aiming for zero exposure to the interest rate risk with a maximum of two years.

Macroeconomic environment

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

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

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

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

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

5. REFINANCING

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

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

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

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

Retail customer deposits increased €2.4 billion over the year to €15.0 billion at 31 December 2017, representing 34% of assets, in line with the company's goal of collecting retail deposits equivalent to one third of the financing granted to its customers.

These resources, to which should be added, based on the European scope, €4.4 billion of undrawn committed credit lines, €3.6 billion of assets eligible as collateral in ECB monetary policy operations, €1.8 billion of high quality liquid assets (HQLA) and €0.4 billion of short term financial assets, enable RCI Banque to maintain the financing granted to its customers for about 12 months without access to external sources of liquidity.

6. REGULATORY REQUIREMENTS

In accordance with the prudential banking regulations transposing EU Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and EU Regulation 575/2013 into French law, the RCI Banque group is subject to compliance with the solvency ratio and liquidity ratios, risk division ratio and balance sheet balancing (leverage ratio).

The ratios calculated in 2017 do not show any non-compliance with the regulatory requirements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SEGMENT INFORMATION

1.1 SEGMENTATION BY MARKET

In millions of euros	Customer	Dealer financing	Other	Total 12/2017
Average performing loan outstandings	29,161	9,738		38,899
Net banking income	1,230	240	158	1,628
Gross operating income	843	190	73	1,106
Operating income	784	205	73	1,062
Pre-tax income	786	204	87	1,077

In millions of euros	Customer	Dealer financing	Other	Total 12/2016
Average performing loan outstandings	24,629	8,077		32,706
Net banking income	1,108	227	137	1,472
Gross operating income	759	185	65	1,009
Operating income	672	168	65	905
Pre-tax income	672	168	72	912

A breakdown by market is provided for the main income statement as well as for average performing loan outstanding in the corresponding periods.

At the Net Banking Income level, given that most of the RCI Banque group's segment income comes from interest, the latter are shown net of interest expenses.

The earnings of each business segment are determined on the basis of internal or fiscal analytical conventions for intercompany billing and valuation of funds allocated. The equity allocated to each business segment is the capital effectively made available to the affiliates and branches and then divided among them according to internal analytical rules.

Average performing loan outstanding is the operating indicator used to monitor outstandings. As this indicator is the arithmetic mean of outstandings, its value therefore differs from the outstandings featuring in the RCI Banque group's assets, as presented in Notes 5 and 6: Customer finance transactions and similar/Customer finance transactions by business segment.

Average Performing Assets (APA) is another indicator used to monitor outstandings. It is equal to average performing outstandings plus assets arising from operating lease operations.

For retail customers, it means the average of performing assets at end-period. For Dealers, it means the average of daily performing assets.

1.2. SEGMENTATION BY GEOGRAPHIC REGION

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

(1) Including operating lease business
(2) Belgium, Netherlands, Switzerland, Austria, Scandinavian countries, Poland, Czech Republic, Hungary, Slovenia; Ireland, Portugal

Income from external customers is allocated to the different countries according to the home country of each of the entities. Each entity actually only books income from customers residing in the same country as that entity.

NOTE 2: DERIVATIVES

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

“Other derivatives” includes the adjustment for credit risk of -€0.3m at 31 December 2017, which breaks down into an income of €0.1m for the DVA and an expense of -€0.4m for the CVA.

These line items mainly include OTC derivatives contracted by the RCI Banque group as part of its currency and interest-rate risk hedging policy.

The transactions that give rise to entries under this heading are described in the accounting rules and methods in the following paragraphs: “Financial liabilities (IAS 39)” and “Derivatives and hedge accounting (IAS 39)”.

Changes in the cash flow hedging instrument revaluation reserve

In millions of euros	Cash flow hedging	Schedule for the transfer of the CFH reserve account to the income statement		
		< 1 year	1 to 5 years	+5 years
Balance at 31 December 2015	**6**	**3**	**3**	
Changes in fair value recognized in equity	(27)			
Transfer to income statement	11			
Balance at 31 December 2016	**(10)**	**(6)**	**(4)**	
Changes in fair value recognized in equity	4			
Transfer to income statement	(3)			
Balance at 31 December 2017	**(9)**	**(4)**	**(5)**	

With respect to cash flow hedging, the above table shows the periods during which RCI Banque expects cash flows to intervene and affect the income statement.

Changes in the cash flow hedging reserve result from changes in the fair value of the hedging instruments carried in equity, and from the transfer of the period to the income statement at the same rate as the item hedged.

Nominal values of derivative instruments by maturity and management intent

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2017	Related parties
Hedging of currency risk					
• *Forward forex contracts*					
Sales	1,889			1,889	
Purchases	1,886			1,886	
• *Currency swaps*					
Loans	691	331		1,022	*82*
Borrowings	664	319		983	*80*
Hedging of interest-rate risk					
• *Interest rate swaps*					
Lender	6,211	9,373	2,350	17,934	
Borrower	6,211	9,373	2,350	17,934	

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2016	Related parties
Hedging of currency risk					
• *Forward forex contracts*					
Sales	1,557			1,557	
Purchases	1,559			1,559	
• *Spot forex transactions*					
Loans	1			1	
Borrowings	1			1	
• *Currency swaps*					
Loans	343	823		1,166	*221*
Borrowings	333	717		1,050	*210*
Hedging of interest-rate risk					
• *Interest rate swaps*					
Lender	5,710	6,535	1,650	13,895	
Borrower	5,710	6,535	1,650	13,895	

NOTE 3: FINANCIAL ASSETS AVAILABLE FOR SALE AND OTHER FINANCIAL ASSETS

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

NOTE 4: AMOUNTS RECEIVABLE FROM CREDIT INSTITUTIONS

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

Credit balances in sight accounts are included in the “Cash and cash equivalents” line item in the cash flow statement.

Current bank accounts held by the FCTs (Fonds Commun de Titrisation) contribute in part to the funds' credit enhancement. They totaled €506m at year-end 2017 and are included in "Ordinary Accounts in debit".

Overnight loan transactions with the Central Bank are included in “Cash and balances at central banks”.

NOTE 5: CUSTOMER FINANCE TRANSACTIONS AND SIMILAR

In millions of euros	12/2017	12/2016
Loans and advances to customers	**43,430**	**37,923**
Customer finance transactions	32,993	29,248
Finance lease transactions	10,437	8,675
Operating lease transactions	**839**	**715**
Total customer finance transactions and similar	**44,269**	**38,638**

The gross value of forborne loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulty (or likely to experience financial difficulty in the future), came to €127m and is impaired by €41m at 31 December 2017.

5.1. CUSTOMER FINANCE TRANSACTIONS

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

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and impaired allowances continue to appear on the asset side of the group's balance sheet.

The factoring receivables result from the acquisition by the Group of the Renault-Nissan Alliance's commercial receivables.

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

5.2. FINANCE LEASE TRANSACTIONS

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

Reconciliation between gross investment in finance lease contracts at the closing date and present value of minimum payments receivable

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

In millions of euros	<1 year	1 to 5 years	>5 years	Total 12/2016
Finance leases - net investment	3,830	4,928	9	8,767
Finance leases - future interest receivable	225	194	1	420
Finance leases - gross investment	**4,055**	**5,122**	**10**	**9,187**
Amount of residual value guaranteed to RCI Banque group	2,153	2,544	1	4,698
Of which amount guaranteed by related parties	*1,562*	*1,380*	*1*	*2,943*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	2,493	3,742	9	6,244

5.3. OPERATING LEASE TRANSACTIONS

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

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

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

5.4. MAXIMUM EXPOSURE TO CREDIT RISK AND INDICATION CONCERNING THE QUALITY OF RECEIVABLES DEEMED NON IMPAIRED BY THE RCI BANQUE GROUP

At 31 December 2017, the RCI Banque group's maximum aggregate exposure to credit risk stood at €50.758m. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on the RCI Banque group's off-balance sheet (see Note 22 Commitments received).

Amount of receivables due

In millions of euros	12/2017	of which non-impaired[(1)]	12/2016	of which non-impaired[(1)]
Between 0 and 90 days	574	522	433	387
Between 90 and 180 days	51		45	
Between 180 days and 1 year	20		24	
More than one year	252		259	
Receivables due	**897**	**522**	**761**	**387**

(1) Only includes fully or partially (on an individual basis) non-impaired sales financing receivables.

The risks on the quality of customer loans are assessed (using a score system) and monitored per type of business (Customer and Dealer). At the statement closing date, no component affected the credit quality of non-due and non-impaired sales financing receivables.

There is no significant concentration of risks within the sales financing customer base in line with regulatory requirements.

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

5.5. RESIDUAL VALUES OF RISK CARRIED BY RCI BANQUE

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

NOTE 6: CUSTOMER FINANCE TRANSACTIONS BY BUSINESS SEGMENT

In millions of euros	Customer	Dealer financing	Other	Total 12/2017
Gross value	**33,349**	**11,126**	**436**	**44,911**
Non-impaired receivables	32,894	11,019	432	44,345
Doubtful receivables	165	90	3	258
Compromised receivables	290	17	1	308
% of doubtful and compromised receivables	*1.36%*	*0.96%*	*0.92%*	*1.26%*
Impairment allowance on individual basis	**(439)**	**(87)**		**(526)**
Non-doubtful receivables	(143)	(54)		(197)
Doubtful receivables	(88)	(18)		(106)
Compromised receivables	(208)	(15)		(223)
Impairment allowance on collective basis	**(25)**	**(91)**		**(116)**
Impairment	(18)	(91)		(109)
Country risk	(7)			(7)
Net value(*)	**32,885**	**10,948**	**436**	**44,269**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals)	*21*	*937*	*309*	*1,267*

In millions of euros	Customer	Dealer financing	Other	Total 12/2016
Gross value	**28,656**	**10,272**	**379**	39,307
Non-impaired receivables	28,209	10,126	376	38,711
Doubtful receivables	164	124	2	290
Compromised receivables	283	22	1	306
% of doubtful and compromised receivables	*1.56%*	1.42%	*0.79%*	*1.52%*
Impairment allowance on individual basis	**(424)**	**(103)**		**(527)**
Non-doubtful receivables	(100)	(62)		(162)
Doubtful receivables	(101)	(19)		(120)
Compromised receivables	(223)	(22)		(245)
Impairment allowance on collective basis	**(40)**	**(102)**		**(142)**
Impairment	(13)	(102)		(115)
Country risk	(27)			(27)
Net value(*)	**28,192**	**10,067**	**379**	**38,638**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals)	*54*	*747*	*222*	*1,023*

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

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

NOTE 7: ADJUSTMENT ACCOUNTS & MISCELLANEOUS ASSETS

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

Deferred tax assets are analysed in note 32

Changes in the share of reinsurers in the technical reserves are analyzed as follows:

Changes in the part of reinsurance in the technical provisions

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

NOTE 8: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

NOTE 9: TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

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

NOTE 10: GOODWILL

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

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note B). These tests revealed no impairment risk at 31 December 2017.

NOTE 11: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS & DEBT SECURITIES

11.1. CENTRAL BANKS

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

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

11.2. AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

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

Sight accounts are included in the “Cash and cash equivalents” line item in the cash flow statement.

11.3. AMOUNTS PAYABLE TO CUSTOMERS

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

Term accounts in credit include a €700m cash warrant agreement given to RCI Banque S.A. by the manufacturer Renault, covering, without any geographical exceptions, against the risks of the Renault Retail Group defaulting.

RCI Banque launched its savings business in France in 2012, in Germany in February 2013 in Austria in April 2014 and in the United Kingdom in June 2015, marketing both savings accounts and term deposit accounts.

11.4. DEBT SECURITIES

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

(1) Certificates of deposit, commercial paper and French MTNs are issued by RCI Banque S.A., Banco RCI Brasil S.A. and DIAC S.A.
(2) Other debt securities consists primarily of the securities issued by the vehicles created for the German (RCI Banque S.A. Niederlassung Deutschland), UK (RCI Financial Services Ltd), Brazilian (Banco RCI Brasil S.A.), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization offerings.

11.5. BREAKDOWN OF LIABILITIES BY VALUATION METHOD

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

11.6. BREAKDOWN OF FINANCIAL LIABILITIES BY RATE TYPE BEFORE DERIVATIVES

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

In millions of euros	Variable	Fixed	12/2016
Central Banks		2,000	2,000
Amounts payable to credit institutions	852	993	1,845
Amounts payable to customers	9,789	3,478	13,267
Negotiable debt securities	333	1,489	1,822
Other debt securities	3,064		3,064
Bonds	4,761	9,897	14,658
Total financial liabilities by rate	**18,799**	**17,857**	**36,656**

11.7. TOTAL FINANCIAL LIABILITIES BY RATE

The breakdown of financial liabilities by maturity is shown in note 17.

NOTE 12: SECURITIZATION

SECURITIZATION – PUBLIC ISSUES

Country	France	France	France	Italy	Germany	Germany	Germany	Germany	Brazil
Originator	DIAC S.A.	DIAC S.A.	DIAC S.A.	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	Banco RCI Brazil S.A.
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers
Issuer	CARS Alliance Auto Loans France FCT Master	CARS Alliance Auto Loans France V 2014-1	FCT Cars Alliance DFP France	Cars Alliance Auto Loans Italy 2015 s.r.l.	CARS Alliance Auto Loans Germany Master	CARS Alliance Auto Loans Germany V2013-1	CARS Alliance Auto Loans Germany V2016-1	Cars Alliance DFP Germany 2017	Fundo de Investimento em Direitos Creditórios RCI Brasil I
Closing date	May 2012	October 2014	July 2013	July 2015	March 2014	December 2013	May 2016	July 2017	May 2015
Legal maturity date	August 2030	January 2026	July 2023	December 2031	March 2031	December 2024	May 2027	June 2026	April 2021
Initial purchase of receivables	715 M€	700 M€	1 020 M€	1 234 M€	674 M€	977 M€	822 M€	852 M€	n.a.
Credit enhancement as at the closing date	Cash reserve for 1% Over-collatera-lization of receivables 15,1%	Cash reserve for 1% Over-collatera-lization of receivables 11,5%	Cash reserve for 1% Over-collatera-lization of receivables 20,35%	Cash reserve for 1% Over-collatera-lization of receivables 22,6%	Cash reserve for 1% Over-collatera-lization of receivables 8%	Cash reserve for 1% Over-collatera-lization of receivables 12%	Cash reserve for 1% Over-collatera-lization of receivables 8%	Cash reserve for 1% Over-collatera-lization ofw receivables 20,75%	Cash reserve for 1% Over-collatera-lization of receivables 11%
Receivables purchased as of 31 December 2017	1 312 M€	114 M€	1 021 M€	1 210 M€	2 366 M€	137 M€	641 M€	818 M€	79 M€
Notes in issue as at 31 December 2017 (including any units held by RCI Banque group)	Class A Rating: AAA 1,134 M€ Class B Non rated 181 M€	Class A Rating: AAA 42 M€ Class B Rating: A+ 44 M€ Class C Non rated 34 M€	Class A Rating: AAA 750 M€	Class A Rating: AAA 955 M€ Class J Non rated 292 M€	Class A Rating: AAA 1,998 M€ Class B Non rated 174 M€	Class A Rating: AAA 27 M€ Class B Rating: A 57 M€ Class C Non rated 52 M€	Class A Rating: AAA 563 M€ Class B Rating: AA 23 M€ Class C Non noté 38 M€	Class A Rating: AAA 675 M€	Class A Rating: AAA 67 M€ Class B Non rated 9 M€
Period	Revolving	Amortizing	Revolving	Revolving	Revolving	Amortizing	Amortizing	Revolving	Amortizing
Transaction's nature	Retained	Market	Retained	Retained	Retained	Market	Market	Retained	Market

In 2017, the RCI Banque group carried a securitization transaction in public format in Germany, by means of special purpose vehicles.

In addition, and as part of its efforts to diversify its refinancing, an operation was secured by conduit. As this issue was private, its terms and conditions are not disclosed in the above table.

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

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2017, the amount of the sales financing receivables thus maintained on the balance sheet totaled €10.391m (€9.768m at 31 December 2016), as follows:

- Securitization transactions placed on the market: €971m.
- Retained securitization transactions: €6.727m.
- Private securitization transactions: €2.693m.

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

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

The difference between the amount of receivables transferred and the amount of the aforementioned liabilities corresponds to the credit enhancement needed for these transactions and to the share of securities retained by the RCI Banque group serving as a liquidity reserve.

NOTE 13: ADJUSTMENT ACCOUNTS & MISCELLANEOUS LIABILITIES

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

Deferred tax assets are analyzed in note 32.

Other sundry creditors and accruals on sundry creditors mainly concern accrued invoices, provisions for commissions payable for referral of business, insurance commissions payable by the Maltese entities and the valuation of put options on minority interests.

NOTE 14: PROVISIONS

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

(*) Other = Reclassification, currency translation effects, changes in scope of consolidation

Each of the known disputes in which RCI Banque or the group's companies are involved was reviewed at the closing date. On the advice of legal counsel, provisions were established when deemed necessary to cover estimated risks.

Every so often, the group's companies are subject to tax audits in the countries where they are based. Uncontested deficiency notices are booked by means of tax provisions. Contested deficiency notices are recognized case by case on the basis of estimates taking into account the merit of the claims against the company concerned and the risk that it may not prevail in its case.

Other provisions on banking operations mainly consist of the insurance technical provision for captive insurance company commitments towards policy holders and beneficiaries. The insurance technical provision came to €418m at end-December 2017.

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €3.5m at end-December 2017 for unfair administration/processing fees. The remaining provisions relate to administration/processing fees billed to business customers.

Insurance risk

The main risk to which the group is exposed in respect of insurance and re-insurance policies taken out is the risk that the actual total amount of claims and settlements and/or the rate of payment thereof may differ from estimations. The frequency of claims, their seriousness, the valuation of settlements paid out and the type of claims, some of whose development may be long term, all have an impact on the main risk to which the group is exposed. The group makes sure that its available reserves are sufficient to cover its commitments.

Exposure to risk is limited by diversifying the portfolio of insurance and re-insurance policies, and the geographical areas in which they are taken out. Fluctuations in the level of risk are also kept to a minimum through stringent policy selection, compliance with subscription guides and the use of re-insurance agreements.

The group makes use of re-insurance in order to limit risk. Policies are transferred under re-insurance agreements on a proportionate basis. Proportionate reinsurance treaties are signed in order to reduce the group's overall exposures for all businesses and in all countries. The amounts that may be recovered from re-insurers are determined in accordance with the claim reserves and with the reinsurance treaties. Re-insurance does not release the transferor from its commitments to policy holders and if for any reason the re-insurer is unable to meet its obligations, the group is exposed to a credit risk on the policies transferred. Re-insurance treaties are signed with A-rated counterparties and the group actively monitors each re-insurer's rating. The group has assessed the risks covered by reinsurance contracts and believes that no retrocession is required.

Key assumptions

The main assumption underlying estimations of liabilities is that the trend in future claims will follow exactly the same trend as in past claims.

The group has therefore factored in an ultimate loss rate in estimating the total cost of claims and of claim reserves (IBNR). Bearing in mind the reinsurance treaties that have been signed, any deterioration or improvement in this loss rate would have no significant impact on the year's results.

Provisions for pension and other post-employment benefits

In millions of euros	12/2017	12/2016
France	32	33
Rest of world	19	17
Total provisions	**51**	**50**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2017	12/2016
Retirement age	67 ans	67 ans
Salary increases	1.52%	1.72%
Financial discount rate	1.90%	1.73%
Starting rate	6.25%	4.55%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2017	12/2016	12/2017	12/2016	12/2017	12/2016
Average duration	25 years	26 years	18 years	18 years	12 years	12 years
Rate of wage indexation	3.10%	3.15%	1.00%	1.00%	1.25%	1.25%
Financial discount rate	2.50%	2.70%	0.75%	0.70%	2.00%	1.80%
Actual return rate of hedge assets	8.80%	16.30%	1.22%	1.47%	2.00%	1.80%

Changes in provisions during the year

In millions of euros	Actuarial value of obligations (A)	Actuarial value of invested funds (B)	Obligations less invested funds (C)	Net liabilities of the defined-benefit pension plans (A)-(B)-(C)
Opening balance of the current period	**91**	**41**		**50**
Current service cost	4			4
Net interest on the net liability (asset)	2	1		1
Expense (income) recorded in the income statement	**6**	**1**		**5**
Actuarial gains and losses on the obligation resulting from changes in demographic assumptions	2			2
Net return on fund asset (not included in net interest above)		1		(1)
Actuarial gains and losses on the obligation resulting from experience adjustments	(1)			(1)
Expense (income) recorded in Other components of comprehensive income	**1**	**1**		
Employer's contributions to funds		2		(2)
Benefits paid	(3)	(1)		(2)
Effect of changes in exchange rates	(2)	(1)		(1)
Balance at the closing date of the period	**93**	**43**		**50**

Nature of invested funds

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

NOTE 15: IMPAIRMENTS ALLOWANCES TO COVER COUNTERPARTY RISK

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

(*) Other = Reclassification, currency translation effects, changes in scope of consolidation

A breakdown by market segment of allowances for impairment of assets in connection with customer finance operations is provided in note 6.

NOTE 16: SUBORDINATED DEBT - LIABILITIES

In millions of euros	12/2017	12/2016
Participating loan stocks	13	12
Total subordinated liabilities	**13**	**12**

The remuneration on the participating loan stock issued in 1985 by Diac S.A. includes a fixed component equal to the money market rate and a variable component obtained by applying the rate of increase in the Diac sub-group's consolidated net income for the year compared to that of the previous year, to 40% of the money market rate.

Annual remuneration is between 100% and 130% of the money market rate, with a floor rate of 6.5%.

NOTE 17: FINANCIAL ASSETS AND LIABILITIES BY REMAINING TERM TO MATURITY

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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2016
Financial assets	**11,098**	**12,855**	**16,805**	**422**	**41,180**
Cash and balances at central banks	1,040				1,040
Derivatives	18	33	171	16	238
Financial assets available for sale and other	247	301	272	135	955
Amounts receivable from credit institutions	814	60	150		1,024
Loans and advances to customers	8,979	12,461	16,212	271	37,923
Financial liabilities	**12,693**	**5,644**	**15,753**	**2,675**	**36,765**
Central Banks			2,000		2,000
Derivatives	4	40	41	12	97
Amounts payable to credit institutions	593	481	771		1,845
Amounts payable to customers	9,857	1,299	1,561	550	13,267
Debt securities	2,239	3,824	11,380	2,101	19,544
Subordinated debt				12	12

Central Bank borrowings correspond to the longer term refinancing operations (TLTRO) introduced at the end of 2014 and gradually being used by RCI Banque.

NOTE 18: BREAKDOWN OF FUTURE CONTRACTUAL CASH FLOWS BY MATURITY

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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2016
Financial liabilities	**12,606**	**5,817**	**16,283**	**2,701**	**37,407**
Central Banks			2,000		2,000
Derivatives	6	37	48	11	102
Amounts payable to credit institutions	578	427	771		1,776
Amounts payable to customers	9,830	1,295	1,561	550	13,236
Debt securities	2,063	3,721	11,376	2,101	19,261
Subordinated debt				10	10
Future interest payable	129	337	527	29	1,022
Financing and guarantee commitments	**1,998**	**49**		**5**	**2,052**
Total breakdown of future contractual cash flows by maturity	**14,604**	**5,866**	**16,283**	**2,706**	**39,459**

The sum of the future contractual cash flows is not equal to the values in the balance sheet. This is because future contractual interest and non-discounted coupon payments on swaps are taken into account.

For liability derivatives, the contractual cash flows correspond to the amounts payable.

For the other non-derivative financial liabilities, the contractual cash flows correspond to the repayment of the value and the payment of interest.

Interest for variable rate financial instruments has been estimated on the basis of the interest rate in effect at 31 December 2017.

NOTE 19: FAIR VALUE OF ASSETS AND LIABILITIES (IN ACCORDANCE WITH IFRS 7 & IFRS 13) AND BREAKDOWN OF ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY

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

(*) FV: Fair value - Difference: Unrealized gain or loss

Financial assets available for sale classified as Level 3 are holdings in non-consolidated companies.

In millions of euros 31/12/2016	Book Value	Fair Value				Gap(*)
		Level 1	Level 2	Level 3	FV(*)	
Financial assets	**41,180**	**929**	**2,302**	**37,993**	**41,224**	**44**
Cash and balances at central banks	1,040		1,040		1,040	
Derivatives	238		238		238	
Financial assets available for sale and other	955	929		26	955	
Amounts receivable from credit institutions	1,024		1,024		1,024	
Loans and advances to customers	37,923			37,967	37,967	44
Financial liabilities	**36,765**	**12**	**36,835**		**36,847**	**(82)**
Central Banks	2,000		2,000		2,000	
Derivatives	97		97		97	
Amounts payable to credit institutions	1,845		1,793		1,793	52
Amounts payable to customers	13,267		13,267		13,267	
Debt securities	19,544		19,678		19,678	(134)
Subordinated debt	12	12			12	

(*) FV: Fair value - Difference: Unrealized gain or loss

Assumptions and methods used

The three-level hierarchy for financial instruments recognized on the balance sheet at fair value, as required by IFRS 7 is as follows:

- ***Level 1:*** measurements based on quoted prices on active markets for identical financial instruments.
- ***Level 2:*** measurements based on quoted prices on active markets for similar financial instruments or measurements for which all significant data are based on observable market data.
- ***Level 3:*** measurement techniques for which significant data are not based on observable market data.

Estimated fair values have been determined using available market information and appropriate valuation methods for each type of instrument.

However, the methods and assumptions used are by nature theoretical, and a substantial amount of judgment comes into play in interpreting market data. Usingdifferent assumptions and/or different valuation methods could have a significant effect on the estimated values.

Fair values have been determined on the basis of information available at the closing date of each period, and thus do not reflect later changes.

As a general rule, whenever a financial instrument is traded on an active, liquid market, its most recent quoted price is used to calculate market value. For instruments without a quoted price, market value is determined by applying recognized valuation models that use observable market parameters. If RCI Banque does not have the necessary valuation tools, including for complex products, valuations are obtained from leading financial institutions.

The main assumptions and valuation methods used are the following:

• Financial assets

Fixed-rate loans have been estimated by discounting future cash flows at the interest rates offered by RCI Banque at 31 December 2016 and at 31 December 2017 for loans with similar conditions and maturities.

Level 3 securities are non-consolidated holdings for which there is no quoted price.

• Loans and advances to customers

Sales financing receivables have been estimated by discounting future cash flows at the interest rate that would have applied to similar loans (conditions, maturity and borrower quality) at 31 December 2016 and at 31 December 2017.

Customer receivables with a term of less than one year are not discounted, as their fair value is not significantly different from their net book value.

• Financial liabilities

Fair value of financial liabilities has been estimated by discounting future cash flows at the interest rates offered to RCI Banque at 31 December 2016 and 31 December 2017 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

NOTE 20: NETTING AGREEMENTS AND OTHER SIMILAR COMMITMENTS

Master Agreement relating to transactions on forward financial instruments and similar agreements

The RCI Banque group negotiates its forward derivative agreements under International Swaps and Derivatives Association (ISDA) and FBF (Fédération Bancaire Française) Master Agreements.

The occurrence of an event of default entitles the non-defaulting party to suspend performance of its payment obligations and to payment or receipt of a settlement amount for all terminated transactions.

ISDA and FBF Master Agreements do not meet the criteria for offsetting in the financial statements. The RCI Banque group currently only has a legally enforceable right to offset booked amounts in the event of default or a credit event.

Synthesis of financial assets and liabilities agreements

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

(1) The gross book value of dealer financing receivables breaks down into €826m for the Renault Retail Group, whose exposures are hedged for up to €695m by a cash warrant agreement given by the Renault manufacturer (see note 11.3), and €393m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €169m by pledge of letras de cambio subscribed by the dealers.

In millions of euros 31/12/2016	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount: Financial instruments on the liability	Non compensated amount: Guarantees on the liability	Non compensated amount: Off-balance sheet guarantees	Net Exposure
Assets	**1,236**		**1,236**	**58**	**713**		**465**
Derivatives	238		238	58			180
Network financing receivables(1)	998		998		713		285
Liabilities	**97**		**97**	**58**			**39**
Derivatives	97		97	58			39

(1) The gross book value of dealer financing receivables breaks down into €621m for the Renault Retail Group, whose exposures are hedged for up to €544m by a cash warrant agreement given by the Renault manufacturer (see note 11.3), and €377m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €169m by pledge of letras de cambio subscribed by the dealers.

NOTE 21: COMMITMENTS GIVEN

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

NOTE 22: COMMITMENTS RECEIVED

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

At 31 December 2017, RCI Banque had €4.934m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €3.580m of receivables eligible as European Central Bank collateral (after haircuts and excluding securities and receivables already in use to secure financing at year-end).

Most of the commitments received from related parties concern the commitments to take back vehicles agreed with manufactures as part of finance leases.

Guarantees and collateral

Guarantees or collateral offer partial or total protection against the risk of losses due to debtor insolvency (mortgages, pledges, comfort letters, bank guarantees on first demand for the granting of loans to dealers and private customers in certain cases). Guarantors are the subject of internal or external rating updated at least annually.

With a view to reducing its risk-taking, the RCI Banque group thus actively and rigorously manages its sureties, among other things by diversifying them: credit insurance, personal and other guarantees.

NOTE 23: EXPOSURE TO CURRENCY RISK

In millions of euros 12/2017	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(568)	569		1	1	
Position GBP		(342)	469		127		127
Position CHF	517			(514)	3		3
Position CZK	88			(70)	18	1	17
Position ARS	7				7	1	6
Position BRL	151				151		151
Position PLN	398			(385)	13		13
Position HUF	6				6		6
Position RON	6			(6)			
Position KRW	167				167		167
Position MAD	28				28	2	26
Position DKK	151			(148)	3	3	
Position TRY	17				17		17
Position SEK	122			(122)			
Position NOK	1				1	1	
Position RUB	3				3	3	
Position SGD		(30)	30				
Position INR	28				28		28
Position COP	21				21		21
Total exposure	**1,711**	**(940)**	**1,068**	**(1,245)**	**594**	**12**	**582**

In millions of euros 12/2016	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(760)	763		3	3	
Position GBP	105		13		118		118
Position CHF	681			(677)	4		4
Position CZK	145			(127)	18		18
Position ARS	9				9	1	8
Position BRL	175				175		175
Position PLN	366			(353)	13		13
Position HUF	6				6		6
Position RON		(1)			(1)	(1)	
Position KRW	169				169		169
Position MAD	29				29	2	27
Position DKK	116			(111)	5	5	
Position TRY	21				21		21
Position SEK	90			(90)			
Position NOK	1				1	1	
Position RUB	1				1	1	
Position SGD		(32)	32				
Position COP	19				19		19
Total exposure	**1,933**	**(793)**	**808**	**(1,358)**	**590**	**12**	**578**

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

NOTE 24: INTEREST AND SIMILAR INCOME

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

As the receivables assigned under the securitization transactions have not been derecognized, interest on those receivables continues to appear under interest and similar income in customer finance transactions.

NOTE 25: INTEREST EXPENSES AND SIMILAR CHARGES

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

NOTE 26: FEES AND COMMISSIONS

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

To make the financial statements more transparent and easier to read, commissions from finance contracts, commissions from service activities, insurance brokerage commissions and other income and expenses have been reclassified for presentation reasons.

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities primarily concern insurance and maintenance contracts.

NOTE 27: NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

NOTE 28: NET GAINS (LOSSES) ON AFS SECURITIES AND OTHER FINANCIAL ASSETS

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

NOTE 29: NET INCOME OR EXPENSE OF OTHER ACTIVITIES

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

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

Income and expenses of service activities include the income and expenses booked for insurance policies issued by the group's captive insurance companies.

Net income of own risk insurance activitie

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

NOTE 30: GENERAL OPERATING EXPENSES AND PERSONNAL COSTS

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

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

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

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

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

NOTE 31: COST OF RISK BY CUSTOMER CATEGORY

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

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

NOTE 32: INCOME TAX

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

The amount of the French CVAE tax (Cotisation sur la Valeur Ajoutée des Entreprises, a tax computed on the added value generated by the company) included in current income tax is -€3m.

Current tax expense is equal to the amount of income tax due and payable to tax authorities for the year, under the rules and tax rates applicable in each country.

Certain differences between companies' income for tax purposes and their income for consolidated financial reporting purposes give rise to the recognition of deferred taxes. These differences result mainly from rules for accounting for lease-purchase and long-term rental transactions and for recognizing impairment on doubtful receivables.

Breakdown of net deferred taxes by major category

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

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2017	12/2016
Statutory income tax rate - France	**34.43%**	**34.43%**
Differential in tax rates of French entities	2.97%	1.22%
Differential in tax rates of foreign entities	-5.04%	-6.66%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	0.01%	0.03%
Effect of equity-accounted associates	-0.42%	-0.24%
Other impacts	-1.36%	2.62%
Effective tax rate	**30.59%**	**31.40%**

Deferred tax expense recognized in the other comprehensive income

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

NOTE 33: EVENTS AFTER END OF THE REPORTING PERIOD

No events occurred between the reporting period end date and 12 February 2018, when the Board of Directors approved the financial statements that might have a significant impact on the financial statements for the year ended 31 December 2017.

8. GROUP SUBSIDIARIES AND BRANCHES

A) LIST OF CONSOLIDATED COMPANIES AND FOREIGN BRANCHES

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2017	2016
PARENT COMPANY: RCI BANQUE S.A.						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque S.A. Niederlassung Osterreich	Austria					
RCI Banque S.A. Sucursal en Espana	Spain					
RCI Banque Sucursal Portugal	Portugal					
RCI Banque S.A. Bancna Podruznica Ljubljana	Slovenia					
RCI Banque Succursale Italiana	Italy					
RCI Banque Branch Ireland	Ireland					
Renault Finance Nordic, Bankfilial till RCI Banque S.A. Frankrike	Sweden					
RCI Banque Spółka Akcyjna Oddział w Polsce	Poland					
RCI Bank UK	United-Kingdom					
FULLY CONSOLIDATED COMPANIES:						
RCI Versicherungs Service GmbH	Germany	100			**100**	100
Rombo Compania Financiera S.A.	Argentina	60			**60**	60
Courtage S.A.	Argentina	95			**95**	95
RCI Financial Services S.A.	Belgium	100			**100**	100
AUTOFIN	Belgium	100			**100**	100
Administradora De Consorcio RCI Brasil Ltda.	Brazil	99.92			**99.92**	99.92
Banco RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI Brasil)	Brazil	60.11	-		**60.11**	60.11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			**100**	100
RCI Colombia S.A. Compania De Financiamiento*	Colombia	51			**51**	
RCI Financial Services Korea Co, Ltd	South Korea	100			**100**	100
Overlease S.A.	Spain	100			**100**	100
Diac S.A.	France	100			**100**	100
Diac Location S.A.	France	-	100	Diac S.A.	**100**	100
RCI ZRT	Netherlands	100			**100**	100
ES Mobility SRL	Italy	100			**100**	100
RCI Services Ltd	Malta	100			**100**	100
RCI Insurance Ltd	Malta	-	100	RCI Services Ltd	**100**	100
RCI Life Ltd	Malta	-	100	RCI Services Ltd	**100**	100
RCI Finance Maroc	Morocco	100			**100**	100

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2017	2016
RDFM	Morocco	-	100	RCI Finance Maroc	**100**	100
RCI Financial Services B.V.	Netherlands	100			**100**	100
RCI Leasing Polska	Poland	100			**100**	100
RCI COM S.A.**	Portugal	100			**100**	100
RCI GEST SEGUROS – Mediadores de Seguros, Lda	Portugal		100	RCI COM S.A.	**100**	100
RCI Finance CZ s.r.o.	Czech Republic	100			**100**	100
RCI Financial Services s.r.o.	Czech Republic	50			**50**	50
RCI Finantare Romania	Roumania	100			**100**	100
RCI Broker De Asigurare S.R.L.	Roumania		100	RCI Finantare Romania	**100**	100
RCI Leasing Romania IFN S.A.	Roumania	100			**100**	100
RCI Financial Services Ltd	United-Kingdom	100			**100**	100
OOO RN FINANCE RUS	Russia	100			**100**	100
RCI Finance S.A.	Switzerland	100			**100**	100
SPV						
CARS Alliance Auto Loans Germany Master	Germany		(cf note 12)	RCI Banque Niederlassung Niederlassung		
CARS Alliance Auto Loans Germany V2013-1	Germany		(cf note 12)	RCI Banque Niederlassung Niederlassung		
CARS Alliance Auto Loans Germany V2016-1**	Germany		(cf note 12)	RCI Banque Niederlassung Niederlassung		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Niederlassung		
CARS Alliance DFP Germany 2017*	Germany		(cf note 12)	RCI Banque Niederlassung Niederlassung		
CARS Alliance Auto Loans France V 2014-1	France		(cf note 12)	Diac S.A.		
FCT Cars Alliance DFP France	France		(cf note 12)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(cf note 12)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL	Italy		(cf note 12)	RCI Banque Succursale Italiana		
Cars Alliance Auto UK 2015 Limited	United-Kingdom			RCI Financial Services Ltd		
Fundo de Investimento em Direitos Creditórios RCI Brasil I	Brazil		(cf note 12)	Banco RCI Brasil S.A.		
Fundo de Investimento em Direitos Creditórios RN Brasil	Brazil			Banco RCI Brasil S.A.		
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD						
RN SF B.V.	Netherlands	50			**50**	50
BARN B.V.	Netherlands		60	RN SF B.V.	**30**	30
RN Bank	Russia		100	BARN B.V.	**30**	30
Orfin Finansman Anonim Sirketi	Turkey	50			**50**	50
Renault Crédit Car	Belgium		50.10	AUTOFIN	**50.10**	50.10
Nissan Renault Financial Services India Private Ltd**	India	30			**30**	30

** Entities added to the scope in 2017*
*** Entities added to the scope in 2016*

B) SUBSIDIARIES IN WHICH NON-CONTROLLING INTERESTS ARE SIGNIFICANT

In millions of euros - 31/12/2017 Before intra-group elimination	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A.
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40.00%	39.89%
Share in associates by non controlling interests	40.00%	39.89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures	4	19
Equity: Investments in associates and joint ventures		(1)
Dividends paid to non controlling interests (minority shareholders)		51
Cash, due from banks	5	92
Net outstandings customers loans and lease financings	344	1,876
Other assets	5	163
Total assets	**354**	**2,131**
Due to banks, customer deposits and debt securities issued	301	1,780
Other liabilities	7	88
Net Equity	46	263
Total liabilities	**354**	**2,131**
Net banking income	**24**	**125**
Net income	9	49
Other components of comprehensive income		(18)
Total comprehensive income	**9**	**31**
Net cash generated by operating activities	3	236
Net cash generated by financing activities		(216)
Net cash generated by investing activities		
Net increase/(decrease) in cash and cash equivalents	**3**	**20**

Percentages of voting rights are identical.

The amount of debt for puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €129m at 31 December 2017, against €178m at 31 December 2016.

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

In millions of euros - 31/12/2016 Before intra-group elimination	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A.
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40.00%	39.89%
Share in associates by non controlling interests	40.00%	39.89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures	5	17
Equity: Investments in associates and joint ventures		1
Dividends paid to non controlling interests (minority shareholders)	6	6
Cash, due from banks	3	102
Net outstandings customers loans and lease financings	289	2,000
Other assets	4	200
Total assets	**296**	**2,302**
Due to banks, customer deposits and debt securities issued	233	1,831
Other liabilities	10	77
Net Equity	53	394
Total liabilities	**296**	**2,302**
Net banking income	**29**	**125**
Net income	12	42
Other components of comprehensive income		(15)
Total comprehensive income	**12**	**27**
Net cash generated by operating activities	19	117
Net cash generated by financing activities	(26)	(25)
Net cash generated by investing activities		
Net increase/(decrease) in cash and cash equivalents	**(7)**	**92**

C) SIGNIFICANT ASSOCIATES AND JOINT VENTURES

In millions of euros - 31/12/2017 Before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	9	4	2
Investments in associates and joint ventures	48	24	30
Dividends received from associates and joint ventures			
Cash, due from banks	114	67	2
Net outstandings customers loans and lease financings	963	600	305
Other assets	35	7	26
Total assets	**1,112**	**674**	**333**
Due to banks, customer deposits and debt securities issued	908	610	45
Other liabilities	52	16	187
Net Equity	152	48	101
Total liabilities	**1,112**	**674**	**333**
Net banking income	**70**	**21**	**17**
Net income	32	8	6
Other components of comprehensive income	(1)		
Total comprehensive income	**31**	**8**	**6**
Net cash generated by operating activities	47	13	(110)
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**47**	**13**	**(110)**

In millions of euros - 31/12/2016 Before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	4	2	1
Investments in associates and joint ventures	41	25	31
Dividends received from associates and joint ventures			
Cash, due from banks	72	66	1
Net outstandings customers loans and lease financings	827	468	196
Other assets	32	7	20
Total assets	**931**	**541**	**217**
Due to banks, customer deposits and debt securities issued	720	478	38
Other liabilities	81	12	77
Net Equity	130	51	102
Total liabilities	**931**	**541**	**217**
Net banking income	**45**	**19**	**10**
Net income	14	5	2
Other components of comprehensive income	(3)		
Total comprehensive income	**11**	**5**	**2**
Net cash generated by operating activities	3	(40)	(59)
Net cash generated by financing activities	(6)	17	21
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**(3)**	**(23)**	**(38)**

D) SIGNIFICANT RESTRICTIONS

The group has no significant restrictions on its ability to access or use its assets and settle its liabilities, other than those resulting from the regulatory framework in which its subsidiaries operate.

Local supervisory authorities may require bank subsidiaries to maintain a certain level of capital and liquidities, to limit their exposure to other parts of the group and to comply with other ratios.

APPENDIX 1: INFORMATION ABOUT LOCATIONS AND OPERATIONS

In millions of euros - 31/12/2017

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
France	RCI Banque S.A.	Holding	396	162.1	97.9	(40.9)	6.2	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	344	214.1	145.7	(36.5)	(9.5)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	59	59.4	42.6	(15.1)	0.6	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	52	20.4	10.6	(2.3)	(0.3)	
Belgium	RCI Financial Services S.A.	Financing	30	14.3	10.1	(3.3)	(0.2)	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	137	138.7	93.9	(39.8)	4.0	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	49	13.9	4.4	(0.4)	(1.7)	
South Korea	RCI Financial Services Korea Co. Ltd	Financing	111	63.5	42.6	(9.0)	(0.6)	
Spain	RCI Banque S.A. Sucursal En España	Financing	188	115.5	83.3	(10.3)	(14.3)	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1,023	331.9	191.8	(2.3)	(80.0)	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	5	2.5	2.0			
India	Nissan Renault Financial Services India Private Limited	Financing	172		1.7			
Ireland	RCI Banque, Branch Ireland	Financing	27	15.1	11.2	(1.4)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	201	110.8	66.0	(20.9)	(1.5)	
	ES Mobility S.R.L.	Financing						

In millions of euros - 31/12/2017

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
Malta	RCI Services Ltd	Holding	26	113.0	108.5	(18.8)	5.8	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	40	23.4	13.3	(5.3)	0.6	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	41	17.2	12.0	(3.1)	0.3	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	59	25.1	15.8	(10.4)	4.2	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	42	19.0	12.1	(4.0)	0.4	
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	11.0	8.1	(1.8)	0.1	
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	68	14.5	10.3	(1.6)	(0.1)	
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	282	99.8	57.4	(14.6)	3.4	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	186	0.4	9.6	(0.1)		
	Sous groupe RNSF BV, BARN BV et RN Bank	Financing						
Slovenia	RCI Banque S.A. Bančna podružnica Ljubljana	Financing	30	7.9	3.4	(0.8)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	15	9.2	5.8	(0.9)	(0.4)	
Switzerland	RCI Finance S.A.	Financing	45	24.8	13.2	(2.4)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	61		3.8			
TOTAL			**3,711**	**1,628**	**1,077**	**(246)**	**(83)**	

APPENDIX 2: FINANCIAL RISKS

Refinancing and balance sheet management

The Finance and Cash Department is responsible for refinancing those of the group's entities that are eligible for centralized refinancing. It obtains the funds required to ensure continuity of business activity (issuance of bonds and other negotiable debt securities, securitization, money market borrowings, ...), balances assets and liabilities, and adjusts the cash positions of the group's companies, while managing and minimizing exposure to financial risks, through the use of interest rate swaps, currency swaps and spot and forward foreign exchange transactions.

The principles of the financial policy extend to all consolidated subsidiaries of the RCI Banque group and are adapted and applied in subsidiaries whose refinancing is not centralized.

All refinancing for subsidiaries in countries outside the Eurozone whose transfer and convertibility risk is deemed to be a material risk by RCI Banque is generally done locally to limit any cross-border risk. Group procedures do however allow the central refinancing office to grant occasional cross border funding to subsidiaries located in such countries if the funding is for a limited amount only or if there is an insurance policy covering the non-convertibility and non-transfer risk.

Such subsidiaries are also subject to the same financial risk monitoring requirements as other group subsidiaries. They must observe limits on interest rate risk and foreign exchange risk, monitor their liquidity risk, contain their counterparty risk and have in place specific monitoring of financial risk by means of a dedicated financial committee and special purpose reporting.

Transactions on financial instruments carried out by the RCI Banque holding are for the main part related to its central refinancing function for the group.

ORGANIZATION OF MARKET RISK MANAGEMENT

The specific market risk management system is part of the RCI Banque group's overall internal control system, and operates to standards approved by Renault as the shareholder. RCI Banque's Finance and Cash Department is responsible for managing market risks (aggregate risk arising from interest rate, liquidity and foreign exchange exposures) and for verifying compliance with allowable limits at the consolidated group level. The rules and ceilings are approved by the shareholder and are periodically updated. The Financial Risk team attached to the Permanent Control Department (Corporate Secretary's Office and Risk Management Department) is responsible for producing a daily report and overseeing the group's exposure to financial risks.

Foreign exchange instruments, interest rate instruments and currencies approved for use in managing market risks are specified on a list of authorized products validated by RCI Banque's Financial Committee.

MANAGING AGGREGATE INTEREST-RATE, FOREIGN EXCHANGE, COUNTERPARTY AND LIQUIDITY RISKS

INTEREST RATE RISK

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin.

The RCI Banque group's aim is to mitigate this risk as far as possible in order to protect its mark-up.

In order to take account of the difficulty of precisely adjusting the structure of borrowings to that of loans, limited flexibility is accepted in interest rate hedging by each subsidiary.

This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the Financial Committee, in an individual adaptation of part of the overall limit determined by RCI Banque's Board of Directors.

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€11.9m
Not assigned:	€6.1m
Total sensitivity limit in €m granted by Renault to RCI Banque:	**€50m**

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

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

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

Maturities of in-force business are determined by taking into account the contractual characteristics of transactions and the results of the modeling of historical customer behavior patterns (early repayment, etc.), supplemented by assumptions about certain aggregates (owners' equity, etc.).

Sensitivity is calculated daily per currency and per management entity (central refinancing office, French and foreign sales financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk Team attached to the Permanent Control Department (Company Secretary's Office and Risk Management Department).

The situation of each entity with regard to its limit is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate.

The results of controls are the subject of monthly reporting to the Financial Committee, which checks that positions are in line with the group's financial strategy and with prevailing procedural memoranda.

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

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

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

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

ANALYSIS OF THE STRUCTURAL RATE HIGHLIGHTS THE FOLLOWING POINTS

SALES FINANCING SUBSIDIARIES

Virtually all loans to customers by sales financing subsidiaries are granted at a fixed rate for terms of one to seventy-two months.

These loans are hedged by fixed-rate resources having the same structure. They are backed by macro-hedging and only generate a residual interest rate risk.

In subsidiaries where the resource is at a floating rate, interest rate risk is hedged by macro-hedging interest rate swaps.

CENTRAL REFINANCING OFFICE

RCI Holding's main activity is to refinance the group's commercial subsidiaries.

The in-force business of the sales financing subsidiaries is backed by fixed-rate resources, some of which are micro-hedged by interest rate swaps and by variable rate resources.

Macro-hedging transactions in the form of interest rate swaps keep the sensitivity of the holding company below the limit set by the group (€32m).

These swaps and the securities available for sale are measured at fair value by reserves in accordance with IFRS.

Monthly tests are carried out to ascertain:

- the effectiveness of the hedging of fixed-rate resources by the interest rate swaps assigned to micro-hedge them;
- the relevance of macro-hedging transactions, by setting them against the variable rate resources.

These data are calculated on the basis of simplified scenarios, working on the assumption that all positions run to maturity and that they are not readjusted to factor in new market conditions.

The sensitivity of reserves to a change in interest rates as presented above would in no way be representative of an impact on future results.

LIQUIDITY RISK

RCI Banque pays great attention to diversifying its sources of access to liquidity.

To that end, RCI Banque imposes stringent internal standards on itself.

RCI Banque's oversight of liquidity risk is based on the following:

Static liquidity

This indicator measures the difference (gap) between existing liabilities and assets at a given date without any assumptions as to the renewal of liabilities or assets. It gives a point-in-time snapshot of the liquidity position, or static liquidity gap. The group's policy is refinance its assets by means of liabilities with a longer maturity, thus maintaining positive static liquidity gaps across all areas of the balance sheet.

Liquidity reserve

The liquidity reserve is a source of emergency liquidity that can be used by RCI Banque in the event of necessity. It consists of High Quality Liquid Assets (HQLA) as defined by the Basel Committee for calculating the liquidity coverage ratio (LCR), short-term financial assets not recognized as HQLA by the Basel Committee, confirmed bilateral lines of credit and assets eligible as collateral in European Central Bank (ECB) transactions not already counted as HQLA or short-term financial assets. Minimum and adequate liquidity reserve levels are determined every six months within the centralized refinancing scope and for physical entities whose refinancing is local.

STRESS SCENARIOS

Every month, the Financial Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.

FOREIGN EXCHANGE RISK

Since May 2009, RCI Banque has been authorized by France's Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR) to exclude durable and structural assets from its foreign exchange exposure, given its compliance with the conditions set out in Article 331 of the Order date 20 February 2007.

Consequently, as its foreign exchange position is below the 2% of capital threshold set in Article 293-2 of the Order dated 20 February 2007, RCI Banque no longer calculates capital requirements for the foreign exchange risk.

CENTRAL REFINANCING UNIT

The forex position of RCI Banque S.A., the central refinancing unit, which historically is very low, stayed under €3m throughout the year.

No position is accepted within the framework of refinancing management. In this respect, the trading room secures the systematic hedging of all flows concerned.

Residual and temporary positions in currencies, related to cash flow timing differences inherent in multi-currency cash management, may, however, remain. Any such positions are monitored daily and are subject to the same hedging concern.

Any other forex transactions (in particular for the anticipated hedging of projected dividends) may only be initiated further to the decision of the head of the Finance and Cash Department.

SALES FINANCING SUBSIDIARIES

Sales financing subsidiaries are required to refinance themselves in their own currency and thus are not exposed.

By way of exception, limits are allocated to subsidiaries whose sales financing operations or refinancing are multi-currency, and to those that are authorized to invest some of their cash surpluses in a currency other than their domestic currency.

The RCI Banque group's overall limit granted by the Renault shareholder is €17m.

At 31 December 2017, the RCI Banque group's consolidated forex position is €8.3m.

COUNTERPARTY RISK

RCI Banque's exposure to bank counterparty risk arises from various market transactions made by the group's entities as part of their everyday business (investment of cash surpluses, interest rate or forex hedging, investments in liquid assets, etc.).

Transactions are made with first-class banks and counterparty risk on market transactions is managed with a system of limits set by RCI Banque and then approved by Renault as part of the Group-wide consolidation of counterparty risks. Limits are set using an internal rating method based on capital adequacy, long-term ratings by credit agencies and a qualitative appraisal of the counterparty.

Compliance with these limits is monitored daily. All the results of controls are communicated monthly to the RCI Banque Financial Committee and integrated into the consolidated monitoring of Renault Group counterparty risk.

In addition to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI has a portfolio of investments in liquid assets. Limits on the amount and maturity of the latter are set for each issuer.

RCI has also invested in money market funds, corporate bonds and a fund whose assets consist of debt securities issued by European agencies, sovereigns and by supranational issuers. Each of these investments is subject to a specific limit approved by the Financial Committee and reviewed at least once a year.

Occasional authorization is also granted to sales refinancing subsidiaries so that they can invest in treasury bills or Central Bank notes in their home countries.

These limits are also monitored daily and are reported monthly to the RCI Banque Financial Committee.

In the case of finance entities, risk takes into account cash exposure (deposits and accrued interest) and exposure on derivatives calculated using the internal fixed-rate method presented hereafter if there is no risk mitigation system by exchange of collateral.

Fixed-rate method:

Exposure to counterparty risk is measured using weighting factors which depend on the type of instrument and the duration of the transaction.

Residual term	Rate factor (as a % of the nominal)	Initial Term	Foreign exchange factor (as a % of the nominal)
Between 0 and 1 year	2%	Between 0 and 1 year	6%
Between 1 and 2 years	5%	Between 1 and 2 years	18%
Between 2 and 3 years	8%	Between 2 and 3 years	22%
Between 3 and 4 years	11%	Between 3 and 4 years	26%
Between 4 and 5 years	14%	Between 4 and 5 years	30%
Between 5 and 6 years	17%	Between 5 and 6 years	34%
Between 6 and 7 years	20%	Between 6 and 7 years	38%
Between 7 and 8 years	23%	Between 7 and 8 years	42%
Between 8 and 9 years	26%	Between 8 and 9 years	46%
Between 9 and 10 years	29%	Between 9 and 10 years	50%

These factors are intentionally higher than those stipulated by capital adequacy regulations, which is a deliberately prudent and conservative approach given current market conditions. No netting is made between risks relating to positions that neutralize each other with the same counterparty.

To ensure that this method is conservative, exposure on derivatives is recalculated at regular intervals using the regulatory "positive mark to market + add-on" method presented below:

"Positive mark to market + add-on" method:

This method is based on the so-called "major risks" regulatory method. Exposure for derivatives (rate and foreign exchange) is calculated as the sum of potential losses, calculated on the basis of the replacement value of the contracts with the counterparty without netting with potential gains, plus an "add-on" representing the potential future risk. This potential future risk is determined by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 274) as follows:

Residual term	Interest rate options (as a % of the nominal)	Foreign currency and gold options (as a % nominal)
<= 1 year	0%	1%
1 year < term <= 5 years	0.50%	5%
> 5 years	1.50%	7.50%

According to the "positive mark to market + add-on" method, the equivalent counterparty risk is €117m at 31 December 2017, against €328m at 31 December 2016. According to the fixed-rate method, it is €775m at 31 December 2017, against €1,002m at 31 December 2016.

These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.

Bank guarantees received are subject to specific monitoring.

Social and environmental information

Information **social and environmental**

Corporate	Contents	Comments
EMPLOYMENT		
The total number and distribution of employees by gender and by geographical area	Key figures p. 223	
Hiring and firing of employees	Key figures p. 223	
Current salaries and salary progression	§ 1.2 - p. 224	
WORK ORGANIZATION		
Working time organization	Key figures p. 223 - 224 and § 1.4 - p. 228	Working time and working hours are organized and determined as locally as possible, for example using framework agreements (e.g. France and Spain).
Absenteeism	Key figures p. 223 - 224	
LABOR RELATIONS		
Organization of social dialogue	§ 1.5 - p. 229	
Collective bargaining agreements	§ 1.5 - p. 229	
HEALTH AND SAFETY		
Occupational health and safety conditions	§ 1.4 - p. 186	
Agreements signed with trade union and staff representative organizations	§ 2.1 p. 230 - 234	
Occupational accidents (including frequency/severity) and occupational diseases and illnesses	-	Because of the nature of the RCI Banque group's business activities, this indicator is of little relevance.
TRAINING		
Training policies implemented	§ 1.1 - p. 224	
Total number of training hours	§ 1.1 - p. 224	
DIVERSITY AND EQUAL OPPORTUNITIES/EQUAL TREATMENT		
Measures taken to promote equality between men and women	§ 1.5 - p. 229	
Measures taken to promote the employment and integration of disabled persons	§ 1.4 - p. 228	
Measures taken to prevent discrimination	§ 1.4 et § 1.5 p. 228 - 229	

Corporate	Contents	Comments
PROMOTION AND ENFORCEMENT OF THE INTERNATIONAL LABOR ORGANIZATION'S BASIC CONVENTIONS		
Elimination of discrimination in employment	-	The RCI Banque group is firmly committed to the four basic principles set out here. Moreover, compliance with them is basically a requirement by law in the countries where the group operates.
Freedom of association and right to collective bargaining	-	
Elimination of forced or compulsory labor	-	
Abolition of child labor	-	
TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S ACTIVITIES		
On employment and regional development	Key figures p. 230 - 234	
On neighboring and local populations	§ 2.2 p. 235 - 236	
RELATIONS WITH INDIVIDUALS OR ORGANIZATIONS INTERESTED IN THE COMPANY'S ACTIVITIES		
Conditions of dialogue with these individuals or organizations	§ 2.3 - p. 236	In addition to its business relations with its different customers, the RCI Banque group also maintains relations with its local fabric.
Partnership or corporate philanthropy	§ 2.2 p. 235 - 236	
SUBCONTRACTING AND SUPPLIERS		
Taking into account social and environmental issues in purchasing policies	-	Because of the nature of the RCI Banque group's business activities, which basically consists in borrowing money to lend to customers, this indicator is of little relevance.
Importance of outsourced work, suppliers and subcontractors and the inclusion of their social and environmental responsibilities	-	Because of the nature of the RCI Banque group's business activities, this indicator is of little relevance. Use of outsourcing is concentrated on IT service provision, intellectual service provision and service provision related to business services management.
LOYALTY PRACTICES		
Action taken to prevent corruption	§ 2.2 p. 235 - 236	
Measures taken to promote consumers' health and safety	§ 2.3 - p. 236	
OTHER ACTION TAKEN TO PROMOTE HUMAN RIGHTS		
Action taken to promote human rights	-	RCI Banque is committed to respecting human rights in all countries where it operates.

STATUTORY AUDITORS' REPORT

For the year ended December 31, 2017

Report by one of the Statutory Auditors, appointed as independent third parties, on the consolidated human resources, environmental and social information included in the management report

To the shareholders,

In our capacity as Statutory Auditor of RCI Banque S.A, (hereinafter named the "Company"), appointed as independent third parties and certified by COFRAC under number 3-10491[1], we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31, 2017, included in the management report (hereinafter named "CSR Information"), pursuant to article L.225-102-1 of the French Commercial Code *(Code de commerce).*

Company's responsibility

The Board of Directors is responsible for preparing a company's management report including the CSR Information required by article R.225-105-1 of the French Commercial Code in accordance with the guideline used by the Company (hereinafter the "Guidelines"), summarised in the management report and available on request from the Company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics *(Code de déontologie)* of our profession and the requirements of article L.822-11-3 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements and applicable legal and regulatory requirements.

Statutory Auditors' responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the management report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R.225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information);

Our work involved six persons and was conducted between January and February 2018 during a two weeks period. We were assisted in our work by our CSR experts.

We performed our work in accordance with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and with ISAE 3000[2] concerning our conclusion on the fairness of CSR Information.

[1] whose scope is available at www.cofrac.fr

[2] ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

1. Attestation regarding the completeness of CSR Information

Nature and scope of the work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the management report with the list provided in article R.225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L.233-1 and the controlled entities as defined by article L.233-3 of the French Commercial Code within the limitations set out in the methodological note, presented in "1-Note méthodologique" section of the management report.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the management report.

2. Conclusion on the fairness of CSR Information

Nature and scope of the work

We conducted ten interviews with the persons responsible for preparing the CSR Information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internai control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important[3]:

- at entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the management report;
- at the level of a representative sample of entities selected by us[4] on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly applied and to identify potential undisclosed data, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents 44% of headcount considered as material data of social issues.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the company.

We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Paris-La Défense, the 23 February 2018

French original signed by:
KPMG S.A.

Anne Garans
Partner
Sustainability Service

Laurent des Places
Partner

[3] **Social indicators:** Total number of employees and distribution by gender and by geographical area; Number of new hires and redundancies or dismissals of employees; Absenteeism rate; Number of disabled individuals; Total number of training hours.
Qualitative information: Measures implemented to promote gender equality; Measures implemented to promote employment and integration of disabled people; Organization of social dialogue including information procedures, consultation and negotiation with the employees; Actions implemented against corruption.

[4] DIAC S.A. (France).

I - CORPORATE PROVISIONS AND COMMITMENT TOWARDS EMPLOYEES

In 2017, RCI Banque's human capital consisted of 3,375 employees, men and women (on permanent and fixed-term employment contracts), working in 38 entities operating in 24 countries.

These men and women help the group to grow through their skills and motivation, and because they reflect the diversity of the group's customers.

They do their jobs in the Renault Way, always keeping the customer in mind and always wanting to keep on learning. The RCI Banque group's employees deliver performance by making their individual contributions within a collaborative approach prioritizing innovative yet simple solutions.

As the Alliance brand financing company, RCI Banque's role is to provide a range of solutions in financing and services for the brands' customers, so as to facilitate their access to vehicle use.

It is also a services-oriented bank that makes life easier for its customers by offering them appropriate automobility solutions tailored to their needs.

What is automobility? Automobility is the combination of intuitive and digital solutions that enable people to travel in an ever-simpler way, in complete freedom.

Our aim is to be recognized by our customers as a benchmark in the automobility market, a company with the ability to reinvent itself, to put the customer at the heart in the center of its strategy.

To achieve this, RCI Banque needs talented people to create, finance, guarantee, manage and sell our services.

Fuelled by the continuing expansion of our business activities worldwide, we are proud to be able to help make vehicle use and automobility services accessible to everyone.

We are doing this by promoting a spirit of innovation and a winning mindset. Because our customers are many and diverse, we take on men and women from all kinds of background, who are passionate about what they do, who care, and who are strongly committed to creating performance in their work and quality in the service provided to customers.

We will support them in their careers and career development by way of a proactive training policy that focuses on up-skilling and versatility within a people-friendly company open to new ideas, and where sharing and team spirit are a priority.

RCI Banque has always put people at the heart of its business, and firmly believes that the men and women who work for the group are its most important asset.

The group's employees not only deliver performance, but are also the ones who drive the innovation needed to prepare it for tomorrow's challenges.

RCI is committed to sustainable growth and its HR policy is, in line with that of Renault, comprehensive, fair and competitive.

To support the group's performance, this HR policy implemented by RCI focuses on 6 priorities:

- Providing the business with skilled teams.
- Embedding a performance culture.
- Strengthening employee development and promoting diversity.
- Supporting change through HR innovation.
- Developing an empowering management approach.
- Delivering an inspiring and motivating work environment.

METHODOLOGICAL NOTE

Since 2013, the social reporting indicators have been checked by an independent third-party verifier to ensure compliance with changes in the regulations and in particular with the provisions of Article 225 of France's Act 2010-788 of 12 July 2010 (so-called Grenelle II Act) and its implementing decree.

REPORTING PERIOD

The reporting period is from 1 January 2017 to 31 December 2017 for all indicators disclosed.

REPORTING PERIOD

The reporting scope comprises the group's fully-consolidated subsidiaries.

Various scopes are used in this chapter:

- full scope, covering 100% of the group's headcount,
- the 17 main countries, in each of which more than 30 employees are employed on permanent or fixed-term employment contracts (Argentina, Austria, Belgium, Brazil, Colombia, France, Germany, Italy, Morocco, Netherlands, Poland, Portugal, Romania, South Korea, Spain, Switzerland and United Kingdom), accounting for 92% of the group's total headcount.

DATA COLLECTION

Social data is gathered by means of two methods:

- the HR information system, through which some of the required data can be collected across the whole of the scope covered;
- data that does not feature in the HR information system is gathered by means of a questionnaire sent out to each country. This questionnaire covers four indicators: the absenteeism rate, the number of terminations, the total number of training hours and the number of employees declared as being disabled.
  Each indicator has a precise definition and specific method of calculation shared with each country.

DEFINITIONS AND METHODS OF CALCULATING CERTAIN INDICATORS

Total number of employees at end-of-month (listed at month-end): all individuals on an employment contract (permanent or fixed-term) with the entity at the end of the month. The employment contract must be current on the last day of the month under consideration. Each individual listed counts as one, regardless of contractual working time (or activity ratio).

Average number of employees in work: the average number of employees in work is equal to the total number of employees less the number of “non-working” employees. The average number of employees in work is calculated by averaging the 12-month period.

“Non-working”: individuals listed as part of the entity's workforce but physically absent from the entity for a long period of time and being paid either none or only part of their salary. This category mainly includes the following: unworked notice, unpaid leave for various reasons including long-term parental leave, redeployment leave, end-of-career leave including dispensation from work in France, leave to start up a business, child-care leave, absence due to long illness or accident once the number of days' absence paid for by the company runs out (credit related to current period of sick leave), national service.
People on sick leave (other than long-term sick leave) and maternity leave are not considered as "non-working".

Number of terminations, Group: termination of permanent or fixed-term contracts by the employer for one or more reasons not related to the individual employee, or related to the individual employee, and that may be collective or individual.

Terminations agreed amicably between the employer and employee, voluntary redundancies and desertion are not taken into consideration.

Number of individuals declared as being disabled: number of employees declared as being disabled as at 31 December. It should be noted that it is difficult to produce statistics representing the true state of the employment of disabled persons given the diversity of regulatory approaches and the lack of statutory reporting requirements in certain countries.

Absenteeism (absence for unexpected reasons): the absenteeism rate is expressed as a percentage and is calculated by taking the average number of employees in work (permanent + fixed-term; not including seconded workers or expatriates) and a theoretical annual number of working days/days worked.
The number of days' absence is expressed in working days, excluding short-time working days, lay-off days, strike days and leave (including maternity) days.

Formula: annual number of days' absence / (employees in work x theoretical annual number of days) x 100.
The assumptions used to calculate the theoretical number of days are left to the discretion of each establishment so that local factors can be taken into account. This may lead to a slight lack of uniformity.

RCI BANQUE'S HUMAN RESOURCES

KEY FIGURES

Workforce

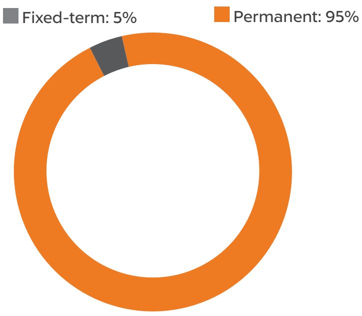
The consolidated group has employees in 24 countries (compared with 23 countries in 2016 following consolidation of the operations in Colombia in 2017), which are grouped together into five regions:

Number of employees by region	Dec-16	% of total	Dec-17	% of total
Europe	2,762	89%	2,944	87%
of which France	*1,413*	*45%*	*1,500*	*44%*
Asia-Pacific	93	3%	96	3%
Americas	152	5%	224	7%
Africa - Middle-East - India	34	1%	37	1%
Eurasia	68	2%	74	2%
Total	**3,109**	**100%**	**3,375**	**100%**

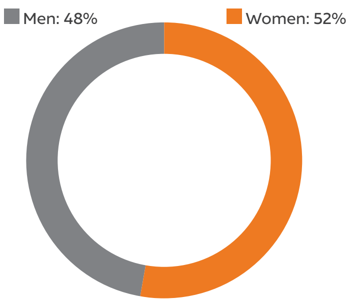
Distribution of employees

RCI's total workforce breaks down into 3,102 permanent employment contracts and 173 fixed term employment contracts.

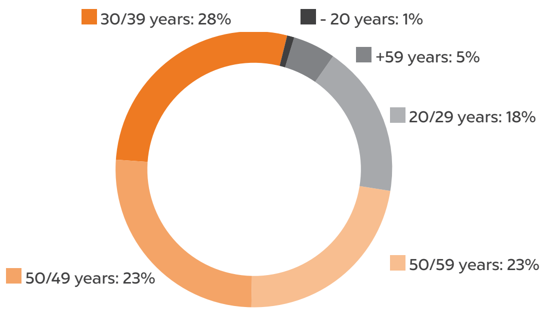
Permanent + Fixed-term



Permanent + Fixed-term by gender



Permanent + Fixed-term by age



During the course of 2017, RCI Banque appointed 418 employees (against 258 in 2016) on permanent employment contracts, equivalent to 12.4% of the total workforce in the scope considered.

Distribution of departures

During the course of 2017, 217 employees (against 154 in 2016) on permanent employment contracts left the RCI Banque group, of which 52 (against 49 in 2016) redundancies/dismissals.

Absenteeism

Distribution of absenteeism in the main countries (countries employing more than 30 people).

This rate includes absences for illness and occupational accidents. It does not include paid annual leave, family events or unpaid leave.

Country	2017 Absenteeism rate
Germany	6.19%
Argentina	1.06%
Austria	6.75%
Belgium	3.69%
Brazil	0.06%
Colombia	1.31%
South Korea	0.00%
Spain	1.29%
France	2.81%
Italy	1.92%
Morocco	0.96%
Netherlands	4.30%
Poland	3.78%
Portugal	0.44%
Roumania	0.72%
Switzerland	1.52%
United Kingdom	1.61%

The RCI group's overall absenteeism rate for 2017 was 2.69% over the scope considered.

Country	Length of the working week
Germany	39
Argentina	45
Austria	38.5
Belgium	39
Brazil	40
Colombia	42.5
South Korea	40
Spain	36
France	38.75
Netherlands	38
Italy	39
Morocco	42.5
Poland	40
Portugal	37.5
Roumania	40
Switzerland	41
United Kingdom	37.5

1.1. GOVERNANCE

Before detailing the achievements characterizing the RCI Banque group's commitment to its employees in 2016, it should be remembered that significant changes to its governance structure, pursuant to the Capital Requirements Directive IV (new European banking regulations), its transposition into France's Monetary and Financial Code (Code Monétaire et Financier) and the subsequent changes made to CRBF (Comité de la réglementation bancaire et financière - France's banking and finance regulatory body) regulations, have been effective since 1 October 2014.

Since that date, the RCI Banque group has had a separate Chairman and CEO. Changes have also been brought to the group's governance bodies, with the creation of and/or adjustments made to the Board of Directors and the following governance bodies: Accounts and Audit Committee, Risk Committee, Nomination Committee, Remuneration Committee.

In 2017, two Nomination Committee meetings and two Remuneration Committee meetings were held, attended by representatives from the RCI Banque group's Board of Directors.

1.2. DEVELOPMENT OF SKILLS AND TALENTS

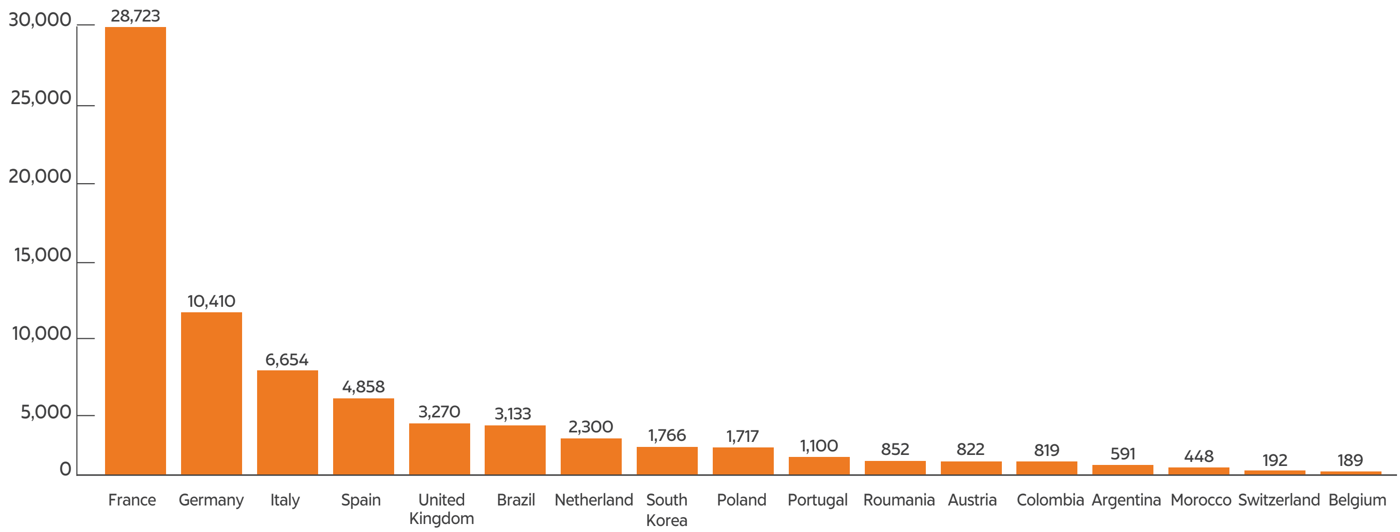
Training

RCI Banque makes every effort to provide training for each and every one of its employees, regardless of their age, status or position within the group

With that aim in mind, the group's offer covers all areas of vocational training, from specific training for each area of work, job and profession in the company, to more individual action geared towards personal development or the acquisition of language or cross-disciplinary skills. Training is provided in various formats, including instructor-led face-to-face sessions, webinars and e-learning.

The aggregate number of hours of paid training received by employees in 2017 came to a total of approximately 70,669 hours, of which just over 67,844 hours in the 17 main countries.

Hours of paid training per country in 2017



In 2017, RCI France rolled out a "Sense of Service" training module to all employees, in line with the RCI Banque group's customer-centric strategy.

Appraisal by means of individual reviews

At RCI Banque, the individual review is an important time for dialogue between each employee and his or her line manager. It provides an opportunity to review the employee's performance over the past year, to set objectives for the coming year and to explain their contribution to the company's performance. During their individual reviews, employees also have a chance to formally express their training needs and to discuss their career development prospects in detail with their line manager.

In this area, a new information system dedicated to talent development (Talent@Renault) has been introduced at RCI Banque. The first module, which enables individual reviews to be carried out online, was rolled out in five countries in 2013 and then gradually extended to all RCI Banque group entities.

Talent@Renault is also used as support in the collective assessment by managers of a/ how employees bring their knowledge and skill to their job, and b/ their career development potential.

This evaluation process, known as a "people review", is carried out pre-individual review campaign. Its collective nature helps to bring objectivity to the assessments of employees by managers during individual reviews. Managers express their great satisfaction with the tool, which is now in widespread use in RCI. If necessary, it also enables comparisons to be made with other entities in the Renault Group where it is used.

Career development and mobility

A new Talent@Renault has been rolled out, which concerns the management of job mobility. Since February 2016, it has provided access to new tools for:

- documenting career reviews between managers and employees;
- publishing internal vacancies;
- applying directly for internal vacancies, including with the Renault Group.

This development will help positions to be filled and promote internal mobility, while improving the match between the company's requirements and employees' wishes.

To boost internal mobility still further, a "career gateway matrix" was produced in 2015.

This matrix is a guide for managers and meets several objectives:

- clarify possible career pathways;
- promote and facilitate job mobility, including cross-disciplinary mobility;
- ensure success of internal job mobility.

As things currently stand, the career gateway matrix brings together the Corporate and France functions as well as those represented in the subsidiaries' management committees.

It is based on job grading (see below) and includes all jobs assessed in this way (i.e. in France, management/executive jobs). These are arranged in rows and columns in the matrix. Thus, the matrix makes it easy to work out:

- starting from a source job (i.e. the employee's current job), which jobs an employee might hope to do;

- starting from a target job (i.e. the position targeted by the employee), which jobs lead to that position;
- by combining these two methods, it is possible to build one or more career paths by identifying the intermediate positions between and employee's current job and the targeted position.

These gateways are identified according to their difficulty:

- move possible in return for light training/adaptation and including a short adaptation period (logical development);
- move possible in return for training/adaptation over a period of less than two years;
- move difficult (lengthy training/adaptation);
- no gateway possible or non-relevant move.

More than 800 gateways have already been identified by the HR function and validated by the RCI Banque group's business experts. Both the trade union organizations and Management have warmly welcomed their unveiling.

The matrix is mainly intended to be used during people reviews, and in preparation for individual reviews and career committee meetings.

Individual management of talents

The RCI Banque group has identified some 210 jobs, i.e. just under 6% of jobs, as key jobs.

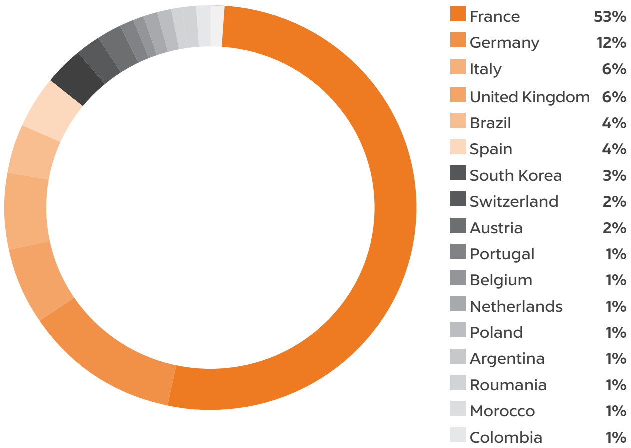
To secure the filling of these posts, which is managed by the Career Committee, the company carries out a selection process to identify high potential employees according to clearly defined criteria.

Candidates are put forward by HR Directors and Managers from Corporate and subsidiary departments to the group's Executive Committee, meeting as the Career Committee, for examination and approval.

Employees selected and included on the list of high potential employees are monitored very carefully and benefit from special career path and salary progression measures.

1.3. MANAGEMENT OF THE WAGE AND SALARY BILL AND REMUNERATION POLICY

In 2017, personnel costs came to a total of €261.5m, of which €254.9m, or 97.5% for the 17 main countries.



Every year, RCI Corporate defines an annual pay variation for each country.

Each country then draws up its pay policy within that framework. For example, it may decide to award general (collective) pay increases and/or individual increases according to different categories (e.g. non managers/managers) and national legislation, as well as bonuses. In France more particularly, the pay policy includes mandatory annual negotiations (négociation annuelle obligatoire, or NAO) required by law.

In 2014, the RCI Banque group, with the Renault Group, developed a "levels of responsibility" reference base.

Under this reference base, all jobs in RCI are classified, or graded, according to the "weight" of the responsibilities or accountabilities they entail. This is known as "job grading", which could be summarized as the mapping of job levels. The reference base was developed using the methodology promoted by the Hay Group, an organization that is particularly well known in the job evaluation and grading field.

This job grading system, which is already widely used by a number of large companies worldwide, has a number of key advantages. For example, it delivers:

1 - greater clarity and consistency to the organization;

2 - facilitation of career paths, by providing individuals with input for thought about their career development and mobility;

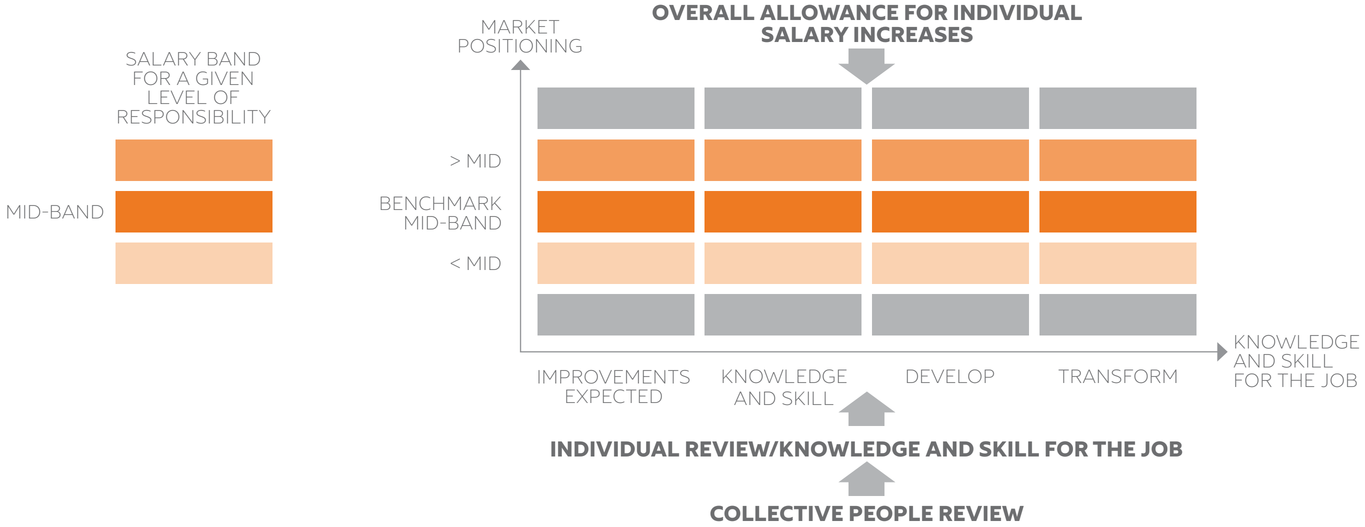
3 - clarification of the link between responsibility/accountability, performance and reward, and therefore greater transparency and fairness in employee salaries.

For each level of responsibility/accountability (job grade), there is a salary band benchmarked against the market in the country under consideration. Market positioning enables salaries for jobs with the same level of responsibility/ accountability to be compared with local salary levels.

In countries where the levels of responsibility/accountability (job grading) reference base has been rolled out, such as in France for employees with executive/management status, the salary reviews forming the 2016 and 2017 "promotion plan" used this system.

Managers in this way have a decision support tool, enabling them to award relevant individual salary reviews based on 1/ the overall allowance allocated by the company for individual salary increases, 2/ the positioning of the employee's salary in the benchmark salary band for his/her level of responsibility/ accountability (job grade) and 3/ the employee's level of knowledge and skill for the job. Use of this tool has been confirmed for the coming years.

The following diagram summarizes this process:



In conclusion, with the new HR evaluation and remuneration processes and tools used within the RCI Banque group, the company is equipping itself with a more efficient reward system:
- the level of responsibility/accountability determines the salary for the job;
- knowledge and skill for the job determines the individual's basic salary;
- the results achieved in relation to the targets set annually determine the reward paid for performance;
- these three components combined form the overall individual salary.

Banque subsidiaries progressed significantly. It should be completed in 2018.

Employee savings

Diac's (RCI Banque in France) company savings plan (Plan Épargne Entreprise) is intended to encourage the buildup of a collective reserve and offer Diac group employees the chance to build up a portfolio of securities with the company's help.

The company savings plan has four unit trusts for employees to choose from in addition to an inaccessible special-purpose current account, as follows:

- Amundi Label Monétaire F
- Amundi Label Equilibre Solidaire F (socially-responsible investment fund)
- CPR ES Croissance
- Amundi Label Dynamique F

Employees are able to make voluntary payments into the plan of up to 25% of their annual pay. They receive a bonus contribution from the company of up to €1,210 gross per year, the latter upper limit being reached for an annual voluntary payment of €4,400.

1.4. PROMOTION OF HIGH QUALITY MANAGEMENT

The "Renault Management Way" management charter in effect in the Renault Group is now more than ten years old. The automotive industry is going through significant changes, as are the products and services that it proposes. By 2030, electric vehicles will account for 25% of sales of new vehicles in urban areas, and practically all vehicles will be connected to the internet. The vehicle of tomorrow will therefore be electric, connected and autonomous.

To support the Company's business priorities, Renault Group employees therefore need to shift their way of working and embrace principles that are shared by all. A project aimed at updating the Renault **Management Way** has been conducted by Renault, the outcome of which is a Renault Way revisited, delivering greater simplicity, pragmatism and customer-centricity. It draws on the things that unite the Group's employees: passion, products and services, the customer, performance, the Alliance and pride in being part of the Group.

The principles of this Renault Way revisited were defined and unveiled by Renault in early 2017. Since July, they have been deployed within RCI Banque by means of a digital kit enabling RCI Banque's managers to grasp and embrace them in their daily management work and with their employees.

This Renault Way is structured around **5 principles guiding the actions** of everyone in the company, whether manager or employee:

At Groupe Renault, what brings us together is our passion for creating attractive and innovative products and services. We strive to delight customers and deliver outstanding results. Every day, we take advantage of Alliance synergies. We are all proud of being part of Groupe Renault within the Alliance.

There is a "Renault Way" of doing things:

Always keep the customer in mind
We share a culture of excellence and collaborate across the company to delight customers.
Our managers collectively unite their teams and support them to serve customers.

Bring your contribution
We are performance oriented, focused on sustainable growth and profit. Everyone is accountable for their personal and collective contribution.
Our managers give teams autonomy to make and own decisions in line with the company's strategy.
They encourage initiative-taking and innovation.

Share reality openly
We speak plainly using facts and objective data and we are open to various opinions. It helps build trust and strengthen performance.
Our managers create conditions for respectful listening and productive debates enabling us to take quick and transparent decisions.

Keep on learning
We all value diversity as a richness within teams.
We take advantage of each and every learning opportunity to grow and win.
Our managers encourage individuals' and team's development. They inspire, motivate and share regular and constructive feedback.

Make it simple
Together, we seek simplicity and efficiency.
We avoid complication for others.
In a complex environment, our managers are leading the teams towards agility and decisions are taken at the right level.

1.5. REINFORCEMENT OF INDIVIDUAL MOTIVATION AND COMMITMENT

The RCI Banque group pays very special attention to the motivation and commitment of its employees, and each year takes part in the Renault Group's employee Engagement survey. In this respect, Renault invited all of the group's employees to express their opinions in November 2017.

As in previous years, an independent firm was asked to carry out the survey.

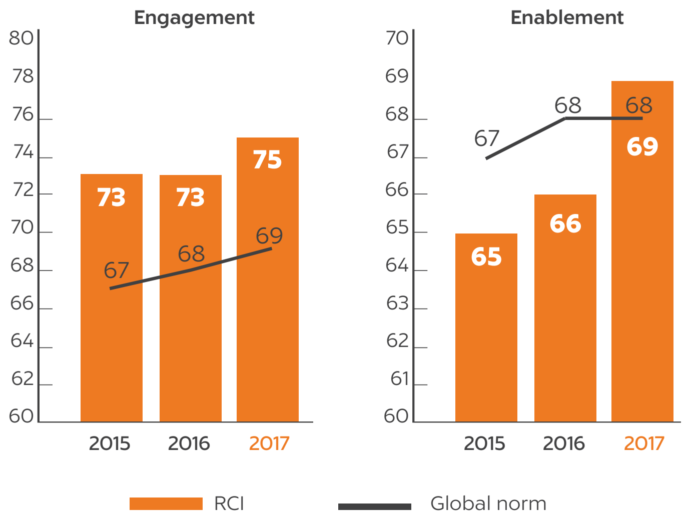
The annual survey provides a means of tracking changes in key indicators and of comparing RCI Banque's results with the average results of other companies on the panel ("global norm").

It also measures changes in two key indicators: engagement and enablement (conditions for success).

It thus gives the company a picture of employee perceptions at a given point of time and therefore an indicator of improvement.

2,963 RCI Banque employees responded to the survey, giving a participation rate of 91%. This is very high compared with the average rate of companies on the independent firm's panel (80%) and is confirmation of strong employee engagement.

2017 survey results



Engagement is the RCI Banque group's ability to inspire employee enthusiasm and to make employees want to come to work at RCI Banque and give it their very best. The engagement rate was 75% in 2017 whereas the global norm (all companies on the panel) was 69%. The main engagement factors remain strong:

- 83% of employees are proud to work for RCI Banque (6 points higher than the global norm);
- 83% of employees declare that they feel motivated to go beyond their formal job requirements to help their business area be successful (11 points higher than the global norm).

The second indicator, enablement (conditions driving success) is the company's ability, as perceived by employees, to create the right conditions needed for them to do their jobs as effectively as possible. The enablement rate was 69% in 2017, up 3 points on 2016 and 1 point higher than the global norm:

- 78% of employees consider that the work they do makes good use of their abilities and skills.
- 74% feel that their job provides them with the opportunity to do challenging and interesting work.

The annual survey is a tool enabling improvement and dialogue that can be used by managers to increase the levels of engagement and commitment the group's employees are experiencing.

Its results not only reveal changes in employee engagement, but can also be used to adjust the action plans put in place each year.

II - SOCIAL PROVISIONS AND COMMITMENT TO SOCIETY

2.1. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

In 2017, the RCI Banque group led a number of corporate social responsibility (CSR) activities.

DIVERSITY

Equality between men and women in the workplace

In its 2017-2022 strategic plan, RCI Banque has set itself the target of ensuring that at least 25% of the company's key positions are held by women.

RCI Banque sponsors StartHer, a community dedicated to supporting women in technology and entrepreneurship whose goal is to work towards building a more inclusive tech world.

StartHer is based on action, promoting the journeys of female entrepreneurs and spreading the word by educating both men and women from the earliest age.

On 19 October 2017, RCI Banque took part in the StartHer Awards, Europe's biggest competition for female-founded start-ups. This flagship event puts the spotlight on female entrepreneurs throughout Europe and takes place every year. This year, it was held at Station F, the biggest startup campus in the world.

In September 2017, **RCI Banque Argentina**, along with fifteen other companies, signed its commitment to the United Nations' Women's Empowerment Principles, as part of its diversity and inclusion initiatives. Signing took place at the City of Buenos Aires' Economic and Social Council.

In 2017, **RCI Banque Korea** developed a mentoring for women policy, which got underway with a number of three-hour sessions organized with female leaders from Renault Samsung Motors during which such topics as career pathways and work-life balance were discussed.

Female managers also took part in conferences organized by the WIN (Women in Innovation) group, whose members are women from various industries in senior management positions. Participants were able to benefit from mentoring programs led by renowned female company bosses.

In France, the effects of the 2011 agreement on "equality between men and women in the workplace and on reconciliation of work and family life" signed with all trade union organizations have gradually been reinforced with its implementation. Concerning equality in the workplace, its measures include salary realignment for female employees, and the goal of achieving a balanced mix of women and men in the various job categories by way of recruitment.

The 2011 agreement, which was initially signed for a three-year period, was renegotiated at the end of 2014. Management and the trade union organizations restated their determination to actively promote equality between men and women in the workplace and the reconciliation of work and family life. The new agreement was signed on 19 March 2015 by Management and the CFDT and SNB trade union organizations, with greater means and aims than the 2011 agreement. This new agreement is now nearing the end of its three-year term and will be renewed early in 2018.

Under these two agreements, 10 female employees saw their salaries realigned in 2012, 12 in 2013, 14 in 2014, 23 in 2015, 30 in 2016 and 26 in 2017. In terms of a balanced men/women mix in the various job categories, the steps taken have brought about the following changes:

- Technicians: from 23.6%/76.4% in December 2014 to 27.4%/72.6% in December 2017.
- Middle management: from 63.4%/36.6% in December 2014 to 61.4%/38.6% in December 2017.

Inclusion in employment of disabled people

Summary of the number of disabled individuals employed in the countries mentioned in this report:

Number of employees by region	Number of disabled individuals 2016	Number of disabled individuals 2017
Germany	9	10
Brazil	-	3
South Korea	-	2
Spain	2	2
France	29	33
Italy	8	9
Malta	1	1
Netherlands	1	1
United kingdom	-	1
TOTAL	**50**	**62**

In France, Article 10 of the company-wide agreement of 25 January 2017 provides for shorter working hours for disabled workers where advised by the medical department.

There is also provision for an additional one working day allowance for workers recognized as disabled workers.

RCI Banque United Kingdom has moved into new premises meeting access requirements for disabled workers.

QUALITY OF LIFE AT WORK

Work environment

Since June 2017, a number of RCI Banque subsidiaries have either been carrying out refurbishment work or have moved to new premises. Such changes are part of our company's transformation, bringing us closer to the manufacturers and addressing the quest for work spaces that promote well-being at work and new kinds of collaborative working.

In July 2017, everyone employed by **RCI Banque United Kingdom** moved to its new head office in the Maple Cross district near London. This new RCI Banque-style work space is located on the same site as Renault United Kingdom and Nissan Motor Great Britain. The aim is to encourage synergies with the manufacturers and to provide a new and friendly collaborative work environment. To embody and put across our brand's values and image, RCI Banque's UK head office has been decorated with the visual elements that make up our identity (logo, colors, pictograms and pictures). Its design makes use of innovative, collaborative and user-friendly work spaces, and includes a cafeteria, a "lounge" area, an innovation room for brainstorming, a rest room and a range of meeting rooms named after RCI Banque's subsidiaries' home towns.

On 24 July 2017, **RCI Banque Spain's** employees also moved to their new head office. The main aim of the move was to give everyone a functional and comfortable work space promoting collaboration between teams. The design of these new premises allows the subsidiary's members to move around in a more digital and innovation-driving environment made up of open-space offices, numerous work rooms equipped with modern technology, and informal meeting rooms, while the "Desconecta" lounge, cafeteria and terrace give them somewhere to relax together.

RCI Banque Germany has had significant refurbishment work carried out on its offices: noise protection, air conditioning, lounge area, installation of adjustable height desks.

RCI Banque Brazil took part for the first time in the Best Workplaces awards and was ranked as the 24th best company to work for in Brazil. All in all, 82% of our subsidiary's employees responded voluntarily to the survey conducted by the Great Place to Work Institute (1). The latter has enabled the employees of over 2,000 organizations to assess their company on the basis of various criteria such as trust, HR projects, social benefits and communication.

(1) The Great Place to Work Institute is a global research, consulting and training firm that helps organizations to identify, create and sustain great workplaces through the development of high-trust workplace cultures.

HEALTH

The RCI Banque group believes health to be a key issue for today's society, and in 2017 developed a number of initiatives in this area.

Last June, **RCI United Kingdom** organized an information day for employees to teach them more about how to protect their skin from the sun's harmful rays and so help to prevent skin cancer. Those who wished to were also able to have their skin checked over.

The subsidiary also took part in an event to help the Alzheimer's Society, a research and care charity supporting people with dementia and their careers.

The amount raised from selling the subsidiary's old furniture was donated to the Alzheimer's Society and to a number of cancer research charities.

RCI Germany employees were offered free flu jabs in 2017.

77 of RCI Banque Germany's employees also took part in the stem cell testing campaign run by the Diagnose Leukemia charity and sponsored by RCI Banque. The collected data have been saved in a data bank so that they can be compared against the data of patients suffering from leukemia. In the event of compatibility, employees will be asked if they will donate their cells to the compatible patients.

RCI Banque Netherlands has introduced regular medical check-ups for employees over the age of forty.

Once again, in 2017, **RN Bank Russia** donated the money initially intended for purchasing gifts for partners to BELA Butterfly Children, a charity helping children with incurable illnesses. The children create pictures that are then used to make gift cards for customers and suppliers.

As in previous years, **Diac** employees took part in the 2017 Odysséa, a fun-based charity sporting event raising money for breast cancer research. Employees in the Bordeaux region also supported the same cause by meeting the Pink Ribbon challenge.

Mindful of its employees' health, in November 2017 **Diac** also joined the give up smoking campaign initiated by the government, and encouraged them to download the "mois sans tabac" (tobacco-free months) application.

The occupational medical officer also offered to provide extra support on top of that given by their GP to any employees wanting to give up smoking.

RCI Banque Italy regularly organized events to support health-related activities, such as blood donation, donations to the Bambin Gesù Hospital and donations to charities fighting certain illnesses (leukemia, rare diseases, cystic fibrosis, etc.).

In France, before any legal requirement for it to do so, in 2012 DIAC set up a mandatory insurance policy providing complementary health cover for its employees, with the company paying a contribution towards the premiums payable. In January 2016, this contribution was increased. Alongside this, the company and trade union organizations decided by mutual agreement to examine the new complementary health care cover agreement put in place by the Renault Group. Following in-depth analysis, in October 2016, the company and all of the trade union organizations signed an agreement to sign up to the Renault Group's complementary health cover agreement, to come into effect on 1 January 2017.

Thus, after being a forerunner in the field of employee health cover and acting before being legally required to do so, DIAC and its trade union organizations opted at the end of 2016 to join forces with the Renault Group. As a result of the ensuing volume effect, DIAC employees will enjoy even better health cover at even more attractive prices than before.

With the arrival of a full-time occupational health officer in early 2016 (previously a part-time position), the Occupational Health Department has been able to extend its area of responsibility to the Lyon and Bordeaux sites, meaning that these sites now enjoy an improved standard of medical follow-up.

Prevention of psychosocial risks

RCI Banque attaches great importance, particularly in France, to the prevention of psychosocial risks.

Various surveys have been carried out among all employees on all sites in France in order to measure stress factors and their impact on employees.

Surveys to measure occupational stress carried out first in 2010 and then again in 2012 (by a specialist firm) showed that the level of "overstress" experienced was within reasonable limits and less than the average seen in the sector.

Using the findings of these surveys as a basis, Diac developed its occupational stress prevention action plan, which was approved by all trade union organizations.

This plan includes three levels of prevention:

- Primary: reduce and even remove sources of occupational stress;
- Secondary: correct the effects of stress;
- Tertiary: take care of individuals who are particularly concerned by occupational stress.

Within this framework, several kinds of action have been put in place:

- creation of stress, anxiety and depression medical monitoring (Observatoire medical du stress, de l'anxiété et de la depression, or OMSAD): this is an assessment questionnaire which each employee is asked to fill in at the time of their annual medical and is then analyzed on an individual basis with the doctor carrying out the medical;

- Introduction of relaxation workshops run by nurses.

In 2013, the psychosocial risk prevention plan saw a new development, with psychological support for individuals suffering from stress provided by specialists supervised by the occupational medical officer. This system has now been made permanent.

The psychosocial risk prevention plan is regularly assessed and consequently updated in cooperation with the trade unions and employee representative bodies. For example, in March 2016, a large number of improvements were discussed with the trade union organizations and formally approved by them in April 2016. It is also examined yearly as part of the company's Single Risk Document updating process.

In 2017, the plan was reflected in the DIAC+ plan announced at the end of 2016, in which each manager's role as a coach and the desire to move towards more but smaller teams on the call platform are evident.

RCI also endeavors to continuously improve the rooms that it makes available to its employees, with a particular focus on co-working and relaxation rooms. For example, RCI Italy has set up a new relaxation area and fitted out a number of meeting rooms.

Work-life balance

In France, a number of company-wide agreements have helped to improve employees' work-private life balance in recent years:

- under the agreement of 25 January 2017, in September 2017 flexible working time arrangements were extended to the Bordeaux and Lyon sites, which previously had no such arrangements,
- further to the agreement on teleworking signed at the end of 2013, just under one hundred employees are now in regular teleworking arrangements and working from home one or two days a week,
- the 2011 agreement on "equality between women and men in the workplace an on reconciliation of work and family life" has, since January 2012, led to the company jointly funding places in a national network of company nurseries. This very popular scheme allows young parents to apply for and be awarded nursery prices at public nursery prices (fifteen infant places were offered and taken up),
- in addition, since the agreement was updated in March 2015, it has also included the possibility for employees to "donate" their days off to colleagues responsible for a child with a particularly serious illness, disability or injury requiring constant attention and care. To show its solidarity, the company contributes an equivalent number of days off to the employee to that donated by his/her colleagues.

Following a conclusive test phase in 2016, **RCI Banque Italy** has introduced a voluntary "smartworking" scheme giving employees the option of working from home one day a week. Some 45% of staff have applied to benefit from the measure.

RCI Banque Belgium has also introduced teleworking arrangements and 10% of the subsidiary's employees telework one day a week.

Following conclusive tests in 2016, **RCI Banque Korea** has put in place a flexitime system. To date, 25% of the subsidiary's employees benefit from these new working time arrangements.

To improve their commitment and involvement and enhance their quality of life at work, **RCI Banque Netherlands** offers its employees a range of personalized measures and training programs in step with the key stages of their working lives, from the moment they are hired to the end of their careers. These include such things as working time and pace measures, teleworking, leave for careers, and using the skills of older workers, etc.

RCI Banque Spain also promotes teleworking. At this stage, 10% of employees telework one day a week.

Since 2014, our Spanish subsidiary has held the label awarded by the MasFamilia foundation and AENOR (Spanish certification and standards organization).

Active labor relations

As shown by the company agreements already mentioned in this document (see above), good relations and dialogue with trade unions and employee representative bodies are a strong tradition within the RCI Banque group.

For this reason, in 2015, a process was initiated by the management of Diac to amend and renew the company agreement signed in 1983. This agreement brings together a set of measures governing the company in such areas as compensation and benefits, leave, and general conditions of work.

It was believed that the company agreement needed refreshing firstly because over time, the measures included in it had become obsolete and needed updating, and secondly because Management wanted to engage the company in a process of modernization and to promote a stronger performance culture.

Following a number of joint meetings, no positive conclusion was reached and in November 2015, the company terminated the agreement. In 2016, detailed negotiations were held over nine months and resulted in a replacement agreement, which was signed by all trade union organizations on 25 January 2017.

This agreement is in line with the continuous improvement approach to quality of life at work. It safeguards the company's competitiveness in a changing economic environment and fosters an improvement in the collective and individual performance of its employees. The provisions of this agreement will be enhanced by way of collective agreements on specific topics.

In 2017, the following were also signed:

- In February 2017, a wage agreement as part of the mandatory annual pay negotiations (Négociations Annuelles Obligatoires) required by French law.
- In June 2017, an addendum to the agreement on the company savings plan (Plan d'Epargne d'Entreprise), intended to encourage employees on lower incomes to save, and an addendum to the profit-sharing agreement to adjust the special profit-share formula.
- In November 2017, an agreement on support measures connected with the move in January 2018 of more than 300 employees from the Noisy-Le-Grand site to the new premises in Rue d'Uzès, in Paris.

EDUCATION

Our sector is constantly changing and attracting new players. How do we go about stepping outside our comfort zone as an international group? We believe that a company has to look for new ideas outside, in every field and in every area. For this reason, we have made cooperation with the university world one of the key HR priorities of our company transformation plan.

In order to contribute to the cultural and professional development of the countries in which it operates, the RCI Banque group continues to get involved in education.

In March 2017, RCI Banque decided to invite 100 ESCP students from the business school's Berlin, London, Madrid and Paris campuses to contribute on a key issue for our company, namely the mobility of the under-thirties.

On 13 June 2017, following the grand final presentations of the four finalist teams' projects, two teams came through as winners: London, chosen by RCI Banque's Executive Committee, and Paris, awarded the public's "Coup de coeur" prize.

This competition lived up to its promise. The students' recommendations were of a very high standard and plenty of brand new ideas emerged for attracting the under-thirties and identifying talent, on top of which it was also an enriching experience for the students to act as consultants.

In France, DIAC is continuing to develop its "Young Persons Policy" by accepting students on sandwich course placements and internships. For example in 2017, sixty-four young people were awarded apprenticeship or professional development contracts with RCI Banque. At the end of 2017, there were ninety-one such young people. Twenty-seven young people with two to five years' higher education were also awarded internships.

HUMANITARIAN AID

The Management of **Diac** and its Works Council jointly organized a food collection for the "Les Restos du Coeur" charity, which helps homeless people. This operation, which was suggested by a company employee, collected 360kg of food (non-perishable items) and hygiene products (the equivalent of 20 boxes).

RCI Banque Poland regularly collects toys, clothes and books for children in children's homes.

In 2017, Poland also took part in a campaign to collect plastic bottle tops used by social care foundations to buy wheelchairs for the disabled.

In 2017, **RCI Banque United Kingdom** held a number of charity events, including collections for the homeless at Christmas and cake sales.

For the third year running, **RN Bank Russia** made a donation to the BELA Butterfly Charity Fund and supported various charity events to help orphans and the poor.

RCI Banque Italy also collected donations for victims of the earthquake in Italy.

Borda Viva is the main charity supported by Renault in Brazil. The aim of this partnership, which began more than ten years ago, is to help social development in the region, and each year, it provides around 7,000 people with support. **RCI Banque Brazil** supports the charity by organizing collections of clothing, school supplies and equipment and food, and blood donations.

RCI Banque Netherlands bought bottles of water as "goodies" for the launch of Private Lease. For each bottle bought, another was given to countries in need. Bottles were distributed to each Renault network seller during the Private Lease training sessions.

As a result of the operation, 10,000 bottles were sent to Africa and distributed to students in poor countries.

RCI Netherlands supports the Kolewa Foundation, the aim of which is to help families with a disabled child or elderly relative to have a better future.

2.2. PROVISIONS DIRECTLY RELATED TO THE RCI BANQUE GROUP'S CUSTOMER BUSINESS ACTIVITIES

Regulatory compliance

Like all lenders, RCI Banque is required to abide by strict rules and regulations concerning the information that must be given to its customers, and more especially to consumers, before they take out a loan, and the processing of their personal data. These rules and regulations result from the transposition of EC Directives or are introduced by local legislators. RCI Banque has put in place a system that ensures its compliance in this area:

- each subsidiary or branch has a structure that monitors changes in regulations, through reference to newsletters sent out by legal firms and auditors, membership of professional organizations, and by reading regulatory texts, etc.,
- the line staff concerned are thus kept continuously informed about any changes in the regulations. They are then responsible for making the necessary changes to processes or systems,
- a compliance committee made up of members of the management committee meets quarterly in each subsidiary or branch to validate where necessary procedures for implementing new regulatory requirements and check that progress is being made on the requisite action plans.

The most significant changes (especially European Directives), as well as compliance incidents and the results of internal and external audits, are reviewed by the Group Compliance Committee.

Underwriting policy

As part of its role and responsibilities towards its shareholder, RCI Banque endeavors to facilitate access to financing and vehicle purchase while being careful not to expose its customers to difficulties as a result of overborrowing and at the same time to keep credit risk at a controlled level compatible with profitability targets.

RCI Banque also makes sure that it complies with any current regulations governing checks on a potential customer's solvency: gathering of information and documentary evidence, record checks, use of decision-support scores, dialogue with the customer if necessary. Processes, tools and training for dealership staff and sales employees are continuously improved.

Pricing

Pricing has to cover the cost of the resource, distribution costs, operating expenses and the cost of risk, while securing the return on equity demanded by the shareholder and investors and required to comply with prudential ratios. It also needs to be competitive in comparison to that applied by rival lenders.

When running special promotional campaigns that offer customers particularly attractive financing conditions in terms of interest rate or related services, manufacturers or dealers may make a contribution to the financing products or the services offered.

Insurance and related services

The RCI group also offers a comprehensive range of insurance products covering borrower (payment protection) and as well as auto risks, and services related to vehicle use.

To summarize, these provisions concerning the range of products and services, risk management and pricing show the RCI Banque group's ability to facilitate access to vehicle use and achieve a high financing penetration rate on sales by Alliance brands (around 40%) while keeping the total cost of risk down (0.3% of average performing Customer outstandings in 2017) both in its own interest and in the interest of its customers.

Fight against bribery and corruption

In accordance with the Sapin II Act, RCI Banque explicitly and vigorously prohibits all forms of bribery and corruption. The Renault Group's Charter of Ethics, applied by RCI Banque, reaffirms this strong and sustained collective commitment. In 2017, the Guide to Preventing Bribery, Corruption and Influence Peddling, which presents the overall and proactive approach to preventing bribery and corruption, was appended to the Internal Rules and Regulations. During their individual performance reviews held annually with their line managers, all employees are reminded of the importance of this guide.

From 2018, RCI Banque is going to roll out a number of new tools to all of its entities aimed at strengthening its whistle-blowing and third-party integrity management systems, covering partners, suppliers and key customers.

Protection of the rights and data of RCI Banque customers

RCI Banque has always been especially careful to respect and protect the rights and data of both its customers and its employees. It has in place a personal data protection policy under which it has committed to keeping confidential all personal data obtained in the conduct of its business activities and to complying with all laws and regulations applicable to the processing of that data.

This includes compliance with France's data protection Act No 78-17 of 6 January 1978 on Data Processing, Files and Individual Liberties, with EU Directive 95/46/EC on Data Protection and with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("General Data Protection Regulation" or "GDPR") due to come into force on 25 May 2018.

RCI Banque uses a set of appropriate technical and organizational measures to fight against the unauthorized and unlawful processing of personal data, and against the accidental loss, destruction or damage of those personal data, and to ensure that they are duly protected.

These measures now take into account greater customer and employee rights with respect to personal data, as provided for in the GDPR, as well as the following:

- Strengthening of principles relating to the lawfulness of the processing of personal data.
- Strengthening of the individual's rights (consent, information, etc.).
- The principle of "accountability" (requirement to put in place appropriate technical and organizational measures so as to ensure that the personal data is processed in a manner that complies with the GDPR and be able to demonstrate such compliance).
- The principle of Privacy by Design and by Default.
- The requirement in the cases concerned to carry out a data protection impact assessment (Privacy Impact Assessment).
- The requirement to report personal data breaches.
- The requirement to appoint a Data Protection Officer (DPO).

Regarding this last point, in September 2017, RCI Banque appointed a DPO responsible for compliance with the GDPR.

Any question to do with applicable legislation and/or processes involving the collection or use of specific categories of personal data can be submitted to the Group Data Protection Officer (GDPO) responsible for overall supervision of the Data Protection Policy, by way of the network of Data Protection Officers and Correspondents, as relevant.

To raise employee awareness, a charter will shortly be disseminated in France and to all European subsidiaries. Construction of a dedicated intranet site is also in progress

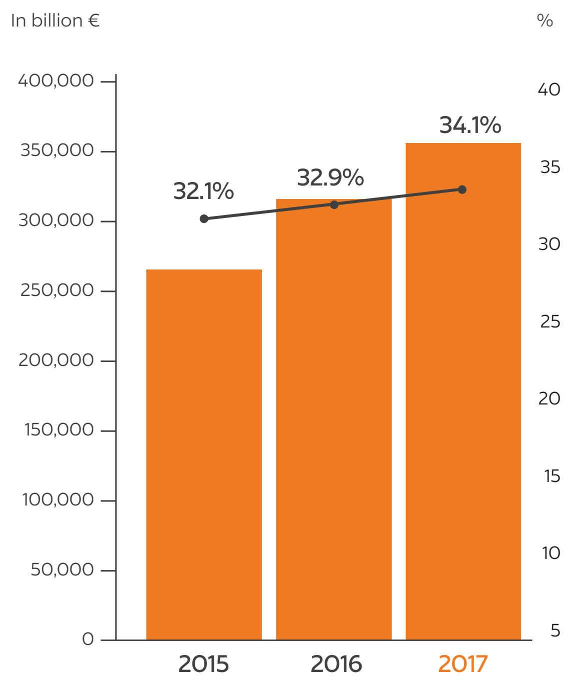
2.3. PROVISIONS SPECIFICALLY RELATED TO THE SAVINGS BUSINESS

RCI Banque, France's first car finance company to offer savings accounts, launched its retail savings business in France in February 2012, before rolling it out in Germany a year later, in Austria in 2014 and in the United Kingdom in 2015. The offering in all four countries consists of an instant access account plus one or more term deposit accounts.

With deposits totaling more than 14.9 billion euros at end-December 2017, net savings collected by RCI Banque were up some 18.8% compared with December 2016 and represented approximately 34% of RCI Banque's net assets at year-end 2017.

By committing to reinvest the funds collected in auto loans marketed to customers of Renault-Nissan Alliance brands, and by offering a straightforward, safe and high-performance range of savings products, RCI Banque has attracted some 368,000 customers in the four countries where the business has been rolled out.

Changes in the retail savings business



2.4. PROVISIONS SPECIFICALLY RELATED TO INNOVATIVE MOBILITY

RCI Banque is fully committed to the Renault Group aim of becoming a benchmark in the mobility services world by delivering a range of innovative and universally accessible mobility products and services.

This is particularly evident in two areas of its business: firstly in the Alliance manufacturers' electric vehicle program and secondly, in the rollout of new mobility offers focusing on use rather than ownership.

RCI Banque plays a part in defining the electric vehicle business model by financing vehicle batteries so that they are marketed competitively in relation to the rest of the range.

This lease offer currently covers six electric vehicles marketed by the Alliance. In 2017, RCI Banque thus financed 45,069 new battery contracts, up 34% compared with 2016, taking the number of batteries managed to 126,326 units.

As a reminder, in July 2015, RCI Banque created RCI Mobility, a fully-owned subsidiary, to develop B2B car sharing services and other car-related mobility services in France and internationally.

RCI Mobility is positioned as a mobility services operator for the Alliance brands, and is underpinned by the manufacturers' automotive knowledge and RCI Banque's financial expertise.

RCI Mobility supports Renault France's Sales Operations Division in the rollout of its Renault Mobility program, Nissan in its Nissan Get & Go program, and continues to expand internationally.

In January 2017, RCI Banque acquired a majority interest in Flit Technologies Ltd, the company that won the bid to take over the start-up company Karhoo, the world's first cab and ride comparison website. In August 2017, RCI Banque also acquired Class & Co, the parent company of Class and Co Software marketing Yusofleet, an automated fleet management system for taxis, rides and delivery services, and of Marcel, a platform for booking chauffeur driven rides in the Ile-de-France region.

Yusofleet is a Dispatch Management System (DMS) technology, which enhances the Karhoo offering and may also be used in activities connected with RCI Banque's New Mobilities for Renault-Nissan Alliance brands.

Marcel is a 24/7 platform on which customers can book rides in the Ile-de-France in advance or for immediate use.

These acquisitions reaffirm RCI Banque's determination to design and develop simple, attractive and personalized solutions enabling its retail and corporate customers to enjoy easier access to automobility solutions.

III - ENVIRONMENTAL PROVISIONS

It is considered that the environmental information required environment. RCI's own impacts are related to its offices by the Grenelle 2 Act is not relevant to RCI Banque as its worldwide and to its employees.

At group level, to date, there is no reporting in place that allows an estimation of its energy, water, paper, waste, etc. impacts.

However, the company is keen to pursue an active and participative socially responsible policy. Aware that good management of waste and waste sorting is good for our Group's image and for team cohesion, DIAC regularly reminds its employees of the waste sorting system on its Noisy-le-Grand site.

During the end of year festivities, **RCI Netherlands'** greeting cards budget was dedicated to the purchase of 2018 trees to support the Trees for All charity in their Philippines project (in Mount Malindang, Mindanao). For each tree donated for a forest in the Netherlands, Trees for all also awards a tree in their project. Trees for All is creating more woods and forests worldwide and so investing in our planet's future. It is the only CBF-certified (Centraal Bureau Fondsenwerving) charity in the Netherlands providing carbon dioxide compensation in sustainable forest projects.

Lastly, Marcel, the platform for booking rides in the Ile-de-France region acquired by RCI Banque in 2017, has adopted a voluntary carbon compensation policy and is promoting eco-driving techniques among its drivers and the use of green vehicles.

IV- REMUNERATION POLICY AND PRACTICE FOR CATEGORIES OF EMPLOYEE WHOSE PROFESSIONAL ACTIVITIES HAVE A SIGNIFICANT IMPACT ON THE RISK PROFILE WITHIN THE RCI BANQUE GROUP

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

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

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

The variable component of pay is intended to reward the performance achieved. This variable component depends heavily on the consolidated financial and commercial results achieved by the RCI Banque group. The variable component of remuneration is capped at a percentage of the fixed salary. This percentage is always lower than 100%, so RCI Banque complies with regulations on variable remuneration.

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

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

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

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

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

RCI Banque does not award shares or stock options.

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

This policy of spreading the variable component of pay over several years was introduced by RCI Banque from the 2016 financial year onwards, and was first applied at the end of that financial year, in early 2017.

General information

I - GENERAL INFORMATION ABOUT THE COMPANY

A - GENERAL PRESENTATION

NAME AND REGISTERED OFFICE

Corporate name: RCI Banque S.A.
Trade name: RCI Bank and services
Nationality: French
Registered office as at 1st January 2018
15, rue d'Uzès - 75002 Paris - FRANCE
Tel.: + 33 (0)1 4932 8000

LEGAL FORM

Société anonyme à Conseil d'administration (a limited company with a Board of Directors, under French law).

GOVERNING LAW

The Company is governed by the provisions of the Code de Commerce (French Commercial Code).

Since it was granted its banking license by the Banque de France on 7 March 1991, RCI Banque has also been subject to all the laws and regulations applicable to credit institutions, in particular those incorporated into France's Monetary and Financial Code (Code Monétaire et Financier).

DATE CREATED AND TERM

The company was created on 9 April 1974, and registered with the Paris Commercial Court on 4 June 1974. It began operating on 21 August 1974, for a term of 99 years, i.e. until August 2073.

CORPORATE PURPOSE

The main purpose of RCI Banque is to engage in credit and banking operations of all kinds, in France and abroad, directly or indirectly, on its own behalf or on behalf of third parties, for the purposes of:

- financing the acquisition of goods or services or for other purpose; in particular, long-term credit transactions as well as issuance or management of payment systems in connection with such transactions;
- conducting studies of all kinds relating to the formation, expansion and transformation of industrial, commercial, financial and service undertakings;
- conducting full or partial studies, and engaging in consulting and negotiating activities in economic, financial, commercial and managerial areas;
- conducting research on designing and improving managerial, organizational and financial systems;
- carrying out projects resulting from the aforementioned studies, or contributing to the execution thereof by any appropriate means, including taking equity interests in existing or new entities;
- financing business entities, in particular by acquiring holdings of their equity or debt securities, using the Company's own funds or borrowed funds;
- providing investment services as defined by the French Financial Activities Modernization Act (96-597) of 2 July 1996;
- managing the portfolio of securities resulting from these activities, in particular by carrying out all purchase, sale, exchange and transfer transactions in securities of all kinds;
- doing business as an insurance intermediary within the meaning of the French law of 15 December 2005 transposing the European Directive of 9 December 2002, acting as agent, commissioner or broker;
- more generally, carrying out any industrial, commercial, financial or property transactions directly or indirectly related to the corporate purpose or to any similar or connected purposes useful to, or facilitating the realization and development of that purpose.

REGISTRATION AND IDENTIFICATION NUMBER

The Company is registered with the Bobigny Register of Companies under SIREN number: 306 523 358, SIRET number: 306 523 358 00076, ORIAS number: 07023704, and APE code 6419Z (business activity code).

ACCESS TO LEGAL DOCUMENTS

Legal documents pertaining to the issuer may be consulted at the Company's registered office.

FINANCIAL YEAR

The Company's financial year starts on 1st January and ends on 31 December of each calendar year.

B - SPECIAL BY-LAW PROVISIONS

STATUTORY ALLOCATION OF EARNINGS

(Article 36 – distribution of dividends)

Net income consists of net revenues for the year, less overhead costs and other corporate expenses, and after depreciation, amortization and impairment allowances. At least five percent of net income less any prior-year losses is appropriated to fund the legal reserve. Once the amount of the legal reserve is equal to one-tenth of the share capital, this appropriation is no longer mandatory. It is resumed in the event that the legal reserve falls below one tenth of the share capital for any reason. Distributable income consists of the current year's net income less any prior-year losses, the aforementioned appropriation, and any other transfers required by applicable law, plus unallocated retained earnings brought forward from previous years. From this income, the Ordinary General Meeting may decide to distribute dividends. Such dividends shall be appropriated first from the distributable income generated in the current year. From the available surplus, the Ordinary General Meeting may appropriate any amounts it deems appropriate, to be carried over to one or more general or special reserve accounts to be allocated or used as it sees fit.

GENERAL MEETINGS

(Articles 27 to 33 of the by-laws)

Types of general meeting

Each year, the shareholders convene in an Annual General Meeting, which must be held within five months of the end of the financial year. In addition, the shareholders may hold Ordinary General Meetings that meet on an extraordinary basis, or Extraordinary General Meetings when their purpose is to amend the by-laws, except as otherwise provided for by law, may also be held.

The General Meeting, duly constituted, represents all shareholders. Its decisions, taken in accordance with law and the Company's by-laws, are binding on all shareholders, even those who are absent, incapable of attending or in disagreement.

Shares held in treasury by the Company are not counted when calculating the quorum for the various meetings.

Two members of the works council, appointed by that council, one representing engineers and managerial staff and the other representing support staff, may attend general meetings.

The Board of Directors may decide that shareholders will be able to take part in and vote at general meetings by videoconference or any other means of telecommunication that permits them to be identified as required by law.

Notice of meetings

The Board of Directors calls the shareholders to General Meetings by means of a notice indicating the date, time and place of meeting.

General meetings may also be convened by:

- the Statutory Auditors;
- a representative appointed by order of the presiding judge of a French commercial court ruling in summary proceedings at the petition either of any interested party, or of one or more shareholders who together own at least 5% of the share capital;
- the receivers.

Quorum – Majority

Ordinary and Extraordinary General Meetings are subject to the quorum and majority requirements prescribed by law and exercise the powers allocated to them by law.

Composition of meetings

All shareholders, regardless of the number of shares they own, may attend general meetings, participate in the proceedings and vote. Owners of registered shares who have requested that such shares be duly recorded in the Company register at least five days before the meeting are admitted upon presentation of identification. Shareholders may be represented by another shareholder, or by their spouse. Proxies prepared in accordance with the law must be received at the registered office at least five days before the date of the meeting.

All shareholders, regardless of the number of shares they own, may attend Extraordinary Meetings, take part in the proceedings and vote. The right to vote in Ordinary General Meetings belongs to the beneficial owner of the shares to which the right is attached; the right to vote in Extraordinary General Meetings belongs to the named legal owner. When a general meeting has been called, the Company shall, at its own expense, deliver or send a mail ballot and attachments thereto, to any shareholder who so requests by registered mail (return receipt requested). The Company must honor any request received by its registered office no later than six days before the date of the meeting.

The mail ballot must include certain information as stipulated by Articles R.225-76 et seq. of the Code de Commerce (French Commercial Code). It must clearly notify the shareholder that abstention from voting or failure to indicate voting instructions on any item shown on the form will be treated as a vote against the proposed resolution.

The form may be included in the same document as the proxy form, if applicable. In this event, the applicable provisions are those of Article R.225-78 of the Code de Commerce (French Commercial Code). The documents stipulated by the aforementioned Article R.225-76 must be attached to the mail ballot.

A mail ballot sent to the Company for a given General Meeting is also valid for any subsequent meetings convened to address the same agenda. Mail ballots must be received by the Company at least three days before the date of the meeting. If a proxy is returned with a mail ballot, the proxy is taken into consideration subject to the votes indicated in the mail ballot.

Meeting officers - Attendance sheet

The General Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the Vice Chairman, if one has been named, or by a director appointed by the board.

If the meeting has been convened by the Statutory Auditors, by a court-appointed representative or by the receivers, one of their members chairs the meeting. The votes are counted by the two largest shareholders, either acting on their own behalf or as representatives, or, if they decline, by the next largest shareholders, and so on, until this responsibility is accepted. These officers appoint the secretary of the meeting, who need not be a member of the meeting. An attendance sheet containing all information required by law and regulation is drawn up at shareholders' meetings.

The meeting's officers may attach to the attendance sheet all proxy or mail ballots showing the last name, usual first name and address of each shareholder represented or casting a mail ballot, the number of shares that he or she owns, and the number of votes attached to those shares. In this case, the meeting's officers shall indicate the number of proxies and mail ballots attached to the attendance sheet, together with the number of shares and voting rights associated with such proxies and mail ballots.

Proxies and mail ballots shall be submitted at the same time and under the same conditions as the attendance sheet. The accuracy of the attendance sheet, duly initialed by the shareholders in attendance and by shareholders' representatives, is certified by the meeting's officers.

The responsibilities of the officers relate exclusively to the holding of the meeting and proper conduct thereof; their decisions are always provisional and remain subject to a vote by the meeting itself. Any interested party may initiate such a vote.

Agenda

The meeting's agenda is established by the Board of Directors or by the person who convenes the General Meeting.

However, under the conditions prescribed by law, one or more shareholders may request that certain draft resolutions not concerning the presentation of candidates for the Board of Directors be included on the agenda.

Minutes

The proceedings of general meetings are recorded in minutes that are entered in a special numbered and initialed register and signed by the meeting's officers. The minutes may be drawn up on sequentially numbered, initialed loose-leaf sheets.

Copies or extracts of the minutes to be provided for legal or other purposes are duly certified either by the Chairman of the Board of Directors or by a director serving as chief executive or by the meeting's secretary. Such copies or extracts are valid with respect to third parties provided that the signatures thereon are valid.

C - GENERAL INFORMATION ABOUT THE SHARE CAPITAL

C.1 - GENERAL PRESENTATION

Share capital

The share capital, which was initially 2,000,000 French francs, was subsequently altered by capital increases and by conversion into euros. Following these changes, the share capital has stood at €100,000,000 since 22 November 2000. It is divided into 1,000,000 fully paid shares of €100 each.

C.2 - URRENT SHARE CAPITAL OWNERSHIP AND VOTING RIGHTS

Shareholders

At 31 December 2017, Renault S.A.S. owned all of the share capital (apart from one share granted to the Chief Executive Officer).

Changes in share capital ownership over the past three years

Following an amendment to the by-laws decided upon by the Extraordinary General Meeting of 30 September 2015, the number of shareholders was reduced to seven.

Following the amendment to Article L.225-1 of France's Commercial Code (Code du commerce) by the Act of 10 May 2016, the number of shareholders was reduced to its minimum, i.e. to two shareholders.

Individuals or legal entities that exercise or may exercise control over RCI Banque

Renault S.A.S. owns 99.99% of RCI Banque.

Organization – issuer's position within a group

The Renault Group consists of two separate and distinct branches:

- the automobile branch;
- the sales financing branch composed of the RCI Banque group. Through its status as a bank, its independent access to financial markets and its inclusion in Renault's marketing policy, RCI Banque offers a competitive range of automobile financing products and related services to Renault Group brand dealership networks worldwide and to Nissan brand dealership networks in Europe. The organization of the RCI Banque group is described on the back cover of this document.

C.3 - MARKETS FOR ISSUER'S SECURITIES

The Company's shares are not listed on any stock exchanges.

Securities listings

Publicly traded debt securities of the RCI Banque group are listed on the Luxembourg and Paris stock exchanges.

D - EMPLOYEE PROFIT SHARING SCHEME

In accordance with Articles L.442-1 et seq. of the Code du travail (French Labor Code), a profit-sharing agreement was signed on 2 June 2003. Profit-sharing is allocated to all group employees in proportion to the gross salary received by each eligible individual during the relevant year, up to the limits set by law. Each beneficiary may choose to allocate this amount:

- either to a current account in his or her name on the Company's books, or;
- to units in a unit trust.

The RCI Banque group does not have a stock option plan for its employees, officers and directors.

	2017	2016	2015	2014	2013
Profit-sharing (in €m)	9.1	8.4	7.5	7.5	7.5
Beneficiaries	1,601	1,499	1,447	1,393	1,407

E - FEES PAID TO STATUTORY AUDITORS AND THEIR NETWORK

In thousands of euros	ERNST & YOUNG Statutory auditors network				KPMG Statutory auditors network				OTHERS Statutory auditors network			
	2017		2016		2017		2016		2017		2016	
	HT	%	HT	%	HT	%	HT	%	HT	%	HT	%
Legal audit in the strict sense	1,024	96	980	91	1,593	95	1,108	97	22	96	92	84
Services necessarily rendered due to local regulations	3	0	60	6	39	2	13	1	1	4	18	16
Services usually provided by the auditors	38	4	33	3	43	3	26	2	-	-	-	-
Legal audit and related services	**1,065**	**100**	**1,073**	**100**	**1,675**	**100**	**1,147**	**100**	**23**	**100**	**110**	**100**
Tax, legal & social consulting	-	-	-	-	5	17	5	15	-	-	-	-
Organization consulting	-	-	-	-	-	-	-	-	-	-	-	-
Other consulting	-	-	10	100	25	83	25	85	-	-	-	-
Authorized services (excluding legal audit) requiring approval	**0**	-	**10**	**-**	**30**	**100**	**30**	**-**	**0**	**-**	**-**	**-**
TOTAL FEES	**1,065**		**1,083**		**1,705**		**1,177**		**23**		**110**	

F - EXTERNAL AUDITORS

KPMG S.A.

Tour Eqho, 2 Avenue Gambetta
92066 Paris La Défense cedex
Société Anonyme (limited company under French law) listed on the Nanterre Register of Companies under no. 775 726 417
Statutory Auditor, Member, Compagnie Régionale de Versailles Term of office: six fiscal years
Term expires: Accounting year 2019.

ERNST & YOUNG AUDIT

Tour First, 1/2 Place des Saisons TSA 14444
92037 Paris La Défense cedex
S.A.S. à capital variable (variable capital simplified joint stock company under French law) listed on the Nanterre Register of Companies under no. 344 366 315 Statutory Auditor, Member, Compagnie Régionale de Versailles Term of office: six fiscal years
Term expires: Accounting year 2021
Represented at 31 December 2016 by Mr Bernard Heller.

II - BACKGROUND

RCI Banque is the result of the merger on 1 January 1990 between:

- Diac, created in 1924 to finance sales of Renault vehicles in France;
- and Renault Credit International, established in 1974 to finance sales of Renault vehicles in Europe. Under the terms of the agreement of 27 March 1999 between Renault and Nissan, the RCI Banque group acquired Nissan's sales financing subsidiaries in five European countries.
- Those subsidiaries have been consolidated by RCI Banque since 1 July 1999. At 31 December 2002, all shares were held by Compagnie Financière Renault, which in turn was wholly owned by Renault S.A. Compagnie Financière Renault served as the umbrella for all Renault Group finance companies. From 20 June 2003, as a result of its merger with Renault S.A.S., Compagnie Financière Renault stopped being a director and shareholder of RCI Banque and since then, 99.9% of the share capital has been held by Renault S.A.S.

A - DEPENDENCE

RCI Banque provides financing to Renault Group and Nissan sales Dealers and Customers. RCI Banque is not subject to any patents, licenses, industrial supply contracts, commercial or financial sourcing agreements or agreements regarding new manufacturing processes.

B - INVESTMENT POLICY

Main investments and disposals over the last five financial years.

Years	Disposals – dissolutions – mergers	Acquisitions	Creations
2017	**Italy:** TRANSFER OF OVERLEASE IN LIQUIDAZIONE S.R.L INTEREST (49%)	**France:** acquisition of Class&Co S.A.S., Marcel S.A.S., Class&Co Software S.A.S. (Yuso). **United Kingdom:** acquisition of Flit Technologies Ltd (Karhoo)	**USA (Delaware):** creation of Karhoo Americas Inc. **United Kingdom:** creation of Karhoo Europe (UK) Ltd and Como Urban Mobility Ltd
2016	**Brazil:** Merger by absorption of COMPANHIA DE CREDITO E INVESTIMENTO RCI BRASIL by BANCO RCI BRASIL S.A. **Portugal:** Merger by absorption of RCI GEST INSTITUICAO DE CREDITO S.A by RCI BANQUE S.A.	**United Kingdom:** Acquisition of a 24.96% interest in BULB SOFTWARE LTD by RCI BANQUE S.A.	**Portugal:** RCICOM S.A. created **Columbia:** RCI COLOMBIA S.A. COMPANIA DE FINANCIAMIENTO created
2015	**Belgium:** Dissolution of RCI FINANCIAL SERVICES LUXEMBOURG, branch of RCI FINANCIAL SERVICES S.A.		**France:** RCI MOBILITY S.A.S. created **United Kingdom:** RCI BANK UK (branch) opened
2014	**France:** Merger by absorption of SOGESMA S.A.R.L by DIAC S.A.		
2013	**France:** Merger by absorption of COGERA S.A. by DIAC S.A. **United Kingdom:** Dissolution of R.F.S and of RENAULT ACCEPTANCE LTD **Italy:** Dissolution of OVERLEASE S.R.L **Mexico:** Transfer to NISSAN of the 15% interest in NRFINANCE MEXICO S.A **Poland:** Merger by absorption of RCI BANK POLSKA by RCI BANQUE S.A. **Turkey:** Transfer of 50% of RCI PAZARLAMA VE DANISMANLIK HIZMETLERI LTD SIRKETI which becomes ORF KIRALAMA PAZARLAMA DANISMANLIGI ANOMIM SIRKETI		**South Korea:** RCI INSURANCE SERVICE KOREA created **India:** NISSAN RENAULT SERVICES FINANCIAL SERVICES INDIA PRIVATE LIMITED created **Netherlands:** RNSF B.V. and BARN B.V. created under the partnership with NISSAN & UNICREDIT for the creation of RN BANK in RUSSIA. **Russia :** RN BANK created **Poland:** RCI Banque SPOLKA AKCYJNA ODDZIAL W POLSCE (branch) opened

III - STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify, having taken all reasonable steps in this respect, that the information contained in this annual report is, to the best of my knowledge and belief, in accordance with the facts, that it contains no omissions likely to affect its import, and that it presents a true and fair picture of the group's development and results, and provides a description of the main risks it may face.

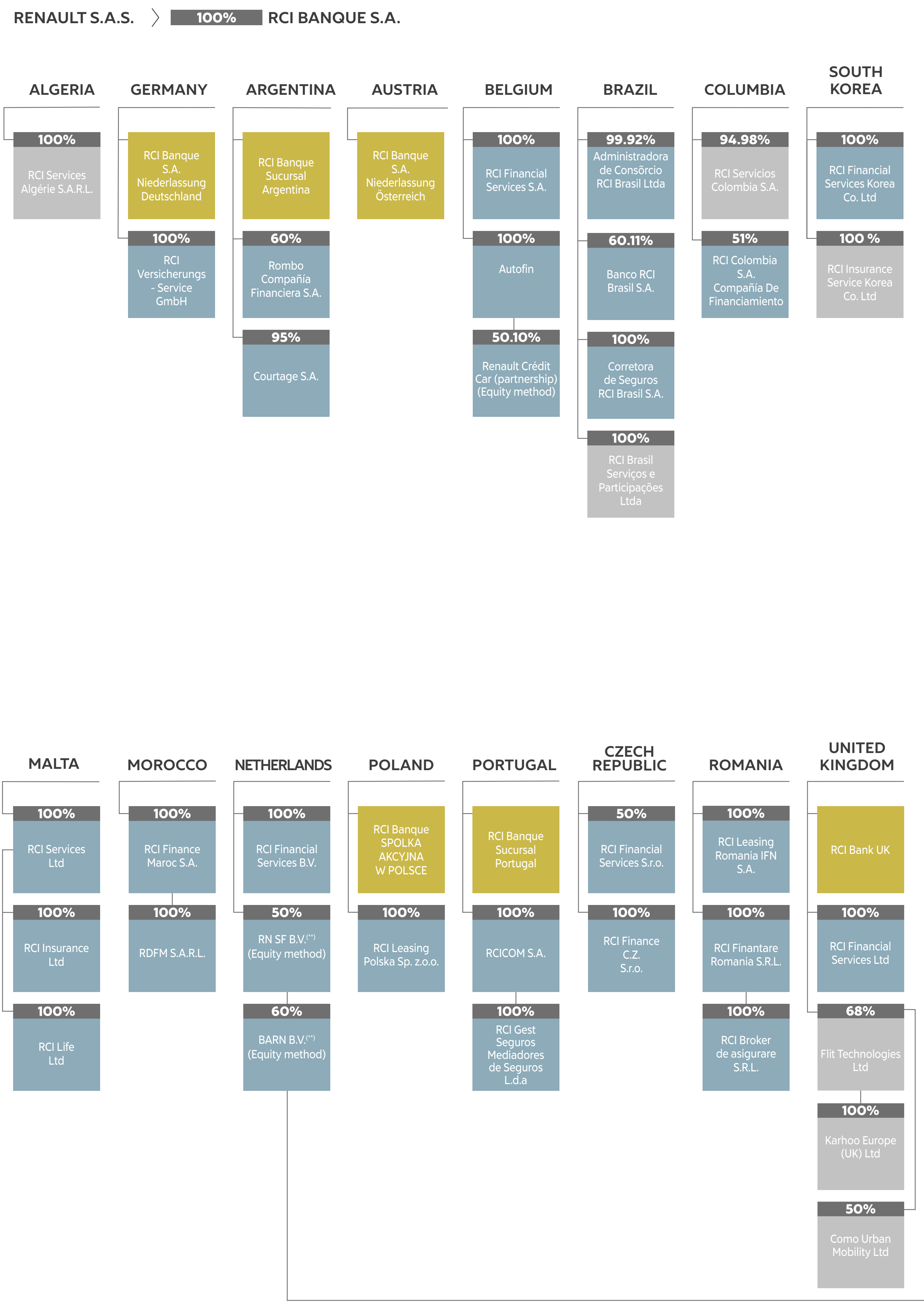
I certify that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair picture of the group's assets and liabilities, financial position and profit or loss.

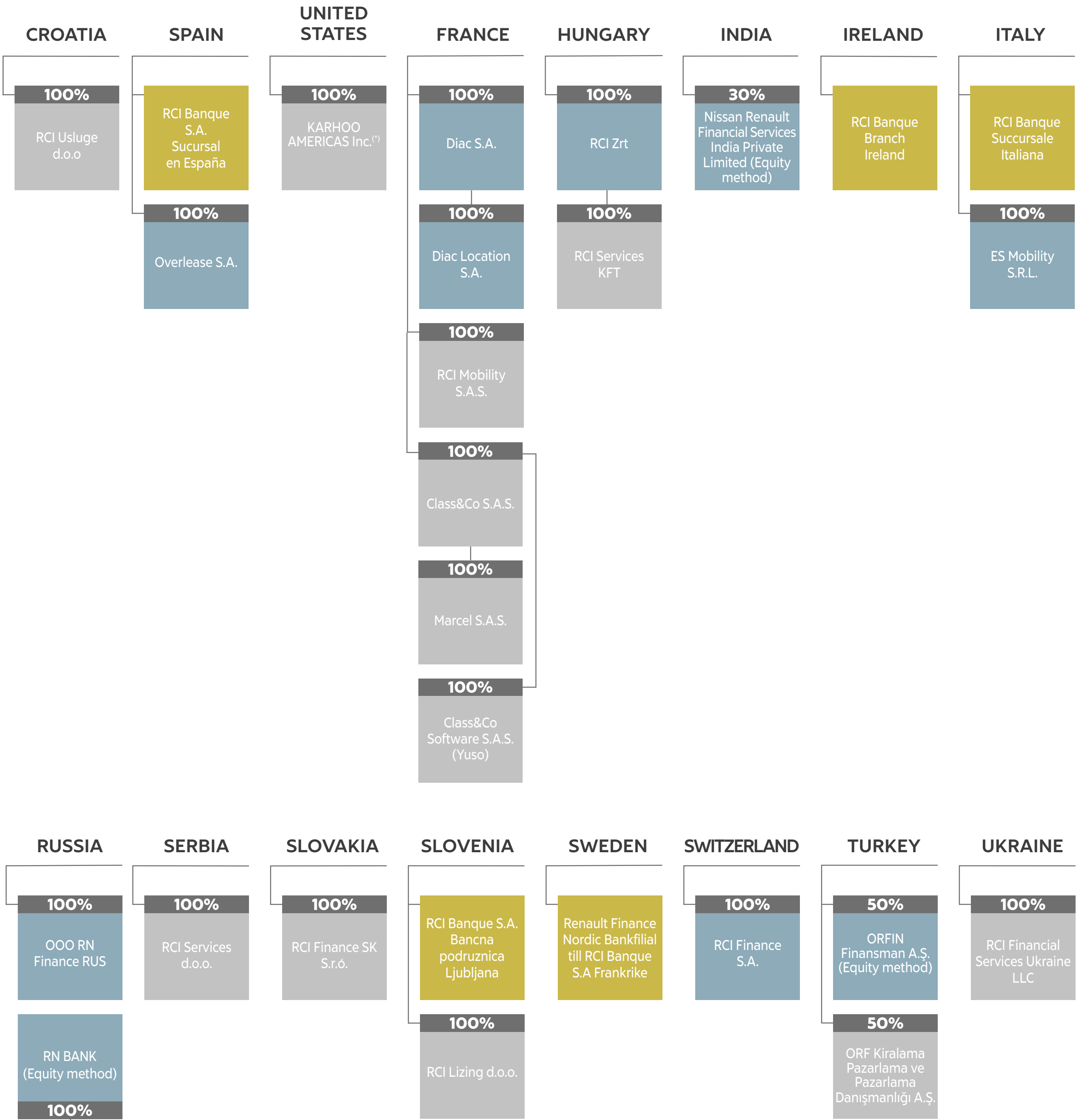
12 February 2018

The Chairman of the Board of Directors

Clotilde DELBOS

RCI BANQUE ORGANIZATION CHART 2017





Subsidiary Branch Non-consolidated subsidiary

(*) Karhoo Americas Inc is fully detained by Flit Technologies Ltd (United Kingdom).
(**) Organization of the activity in Russia.

CHANGES IN 2017
United States: Creation of Karhoo Americas Inc.
France: Acquisition of Class&Co S.A.S., Marcel S.A.S., Class&Co Software S.A.S. (Yuso)
United Kingdom: Acquisition of Flit Technologies Ltd (Karhoo)
Creation of Karhoo Europe (UK) Ltd and Como Urban Mobility Ltd
Italy: Transfer of Overlease in Liquidazione S.R.L interest (49%)

NOTES

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DOCUMENTS AVAILABLE TO THE PUBLIC

This document is available on the RCI Banque website www.rcibs.com.

Anyone wishing for further information about the RCI Banque group may, without obligation, request documents:

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API LPN 45
14 avenue du Pave Neuf
93168 Noisy-le-Grand Cedex - France

BANK
AND
SERVICES

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Registered office: 14 avenue du Pavé Neuf – 93168 Noisy-le-Grand Cedex
Siren 306 523 358 RCS Bobigny
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