RCI BANK AND SERVICES

BUSINESS REPORT **2017**

RCI BANK AND SERVICES[1] OVERVIEW

RCI Bank and Services provides a range of financial solutions to facilitate access to automobility for Alliance customers[2]. Taking into account each brand's specific characteristics and anticipating the new needs and automotive uses of their customers, RCI Bank and Services supports their marketing policies and works with them to win new customers and build loyalty.

RCI Bank and Services brings together three worlds: the automotive world through its history, banking through its business, and services through its offerings. Every day, in 36 countries across the world, RCI Bank and Services supports the growth of the Alliance brands and their distribution networks, by offering their customers a comprehensive range of financing products, insurances and services.

Our vision:
«Our aim in creating personalized services is to deliver a seamless mobility experience.
Our aim in innovating is to enhance the service we deliver to our customers».

Tailored solutions for each type of customer base

We offer our **Retail customers** a range of financing solutions and services relevant to their projects and uses, to facilitate, support and enhance the whole of their automobility experience. Our solutions and services apply to both new and used vehicles.

We provide our **Business customers** with a wide range of mobility solutions to relieve the pressure of vehicle fleet management and allow them to focus on their core business.

We deliver active support to Alliance brand **Dealers** by financing inventories (of new vehicles, used vehicles and spare parts) and short-term cash requirements.

The Savings Bank business, one of the pillars of the company's refinancing

The Savings business was launched in 2012 and now operates in four markets, namely France, Germany, Austria and the United Kingdom. Savings deposits are a key instrument in the diversification of the group's sources of refinancing for its operations. Deposits collected came to €14.9 billion, or approximately 34% of net assets at end-[3] December 2017.

Some 3,400 employees over five continents

Our employees operate in 36 countries, divided into five major world regions: Europe; Americas; Africa - Middle-East - India; Eurasia; Asia - Pacific.

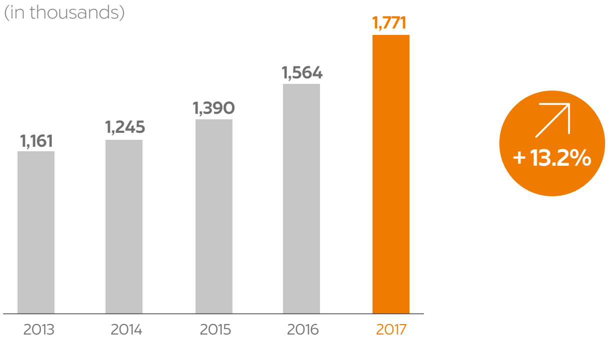
[1] RCI Bank and Services has been the company's trading name since February 2016. Its corporate name, however, remains unchanged and is still RCI Banque S.A.

[2] RCI Bank and Services supports the Renault Group's brands (Renault, Renault Samsung Motors and Dacia), the Nissan Group's (Nissan, Infiniti and Datsun) mainly in Europe, in Brazil, in Argentina, in South Korea and in the form of joint ventures in Russia and in India, as well as Mitsubishi Motors in the Netherlands.

[3] Net assets at end-: net total outstandings + operating lease transactions net of depreciation and impairment.

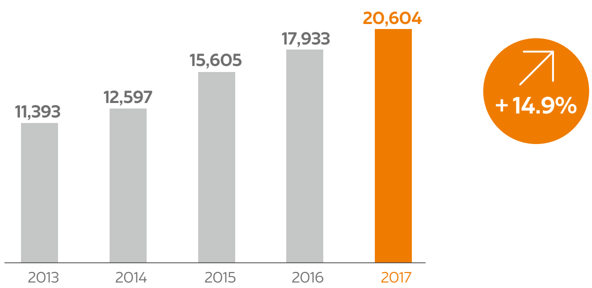
Total number of vehicle contracts

(in thousands)



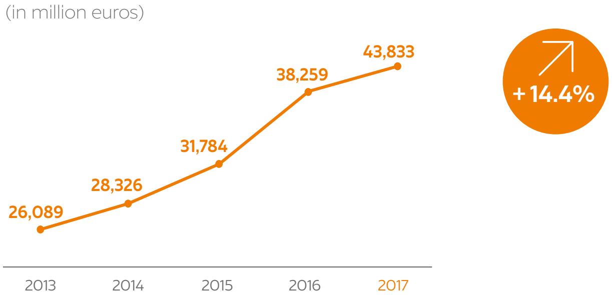
New financings

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



Net assets at end[4]

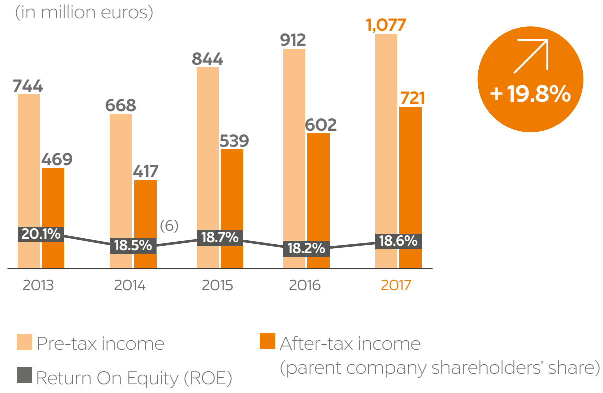
(in million euros)



[4] Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

Results[5]

(in million euros)



[5] 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.
[6] ROE 2014 excluding non-recurring items (-€77m).

BUSINESS ACTIVITY 2017

In a growing global automotive market, RCI Bank and Services posts a further increase in its sales performance for 2017, achieving record business in financings and services. RCI Bank and Services confirms its position as a key strategic partner to the Alliance brands.

With 1,771,016 contracts financed in 2017, a 13.2% increase on 2016, RCI Bank and Services generated €20.6 billion in new financings. This performance was mainly driven by the growing European automotive market, but also by the economic recovery recorded by emerging markets (Brazil, Argentina, and Russia).

The group's Financing penetration rate thus came to 39.6%, up 1.9 points compared with 2016. Excluding Turkey, Russia and India (companies consolidated using the equity method), it came to 42.6%, against 41.0% at end-December 2016. This strong performance came with a boom in the used vehicle Financing business line, which saw some 320,000 contracts financed over 2017, a 15.7% increase on the previous year.

Average performing assets (APA)[1] stand at €39.6 billion, recording a 19.0% increase compared with 2016. Of this amount, €29.9 billion are directly attributable to the Retail Customer business, which posted an 18.5% rise. Building on the momentum of the automotive market and the strong growth in new and used vehicle financing, the Services business continued to grow, posting a 27.5% leap in volumes over one year. The number of insurance policies and services contracts sold for 2017 thus totaled 4.4 million units, of which 65% in customer-centric or vehicle-use related services. RCI Bank and Services posted growth in its Financing penetration rates across all regions over 2017.

The Europe region saw a 9.4% increase in the number of new vehicle financing contracts compared with 2016 and its Financing penetration rate came to 43.3% against 41.5% the previous year.

Amid a recovery in the automotive market, the Americas region recorded good sales results in 2017. The Financing penetration rate for the region as a whole came to 38.8%, a 1.1-point increase on 2016. This growth is attributable to the good performance turned in by RCI Bank and Services in Argentina, and to Colombia being brought into the scope of consolidation.

The Asia-Pacific region posted the biggest penetration rate increase of the regions, showing a 5-point improvement on 2016 to 57.4%. More than one in two new vehicles sold by Renault Samsung Motors was thus financed by RCI Bank and Services, which achieved a high sales performance despite a downturn in the market overall.

Fuelled by RCI Bank and Services' good results on the Datsun brand in India, the penetration rate for the Africa – Middle-East - India region hit 21.8% at end-December 2017, showing a 3.7-point increase on the previous year.

The Eurasia Region posted a 2-point increase in the penetration rate to 26.7% for 2017. In Russia, where automotive sales grew, the penetration rate improved by 0.6 points to 27.5%. In Turkey, where the automotive market is showing a decline, the penetration rate was up 4.5 points to 26.6%.

[1] Average performing assets: APA are equal to average performing assets plus assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at year-end. For Dealers, it means the average of daily performing assets.

PC + LUV[2] market		Financing penetration rate (%)	New vehicle contracts processed (thousands)	New financings excluding cards and PL (€m)	Net assets at year-end[3] (€m)	of which Customer net assets at year-end[3] (€m)	of which Dealer net assets at year-end (€m)
Europe	**2017**	**43.3**	**1,318**	**17,061**	**39,028**	**28,785**	**10,243**
	2016	41.5	1,197	15,175	33,934	24,408	9,526
of which Germany	**2017**	**44.1**	**184**	**2,739**	**6,808**	**5,333**	**1,475**
	2016	39.9	155	2,196	5,871	4,402	1,469
of which Spain	**2017**	**54.2**	**161**	**1,870**	**4,207**	**3,279**	**928**
	2016	52.4	139	1,611	3,426	2,656	770
of which France	**2017**	**46.7**	**455**	**5,815**	**13,315**	**9,606**	**3,709**
	2016	44.4	425	5,270	11,632	8,253	3,379
of which Italy	**2017**	**60.0**	**196**	**2,769**	**5,264**	**3,960**	**1,304**
	2016	57.7	163	2,168	4,251	3,156	1,095
of which United Kingdom	**2017**	**29.1**	**129**	**1,803**	**4,787**	**3,897**	**890**
	2016	33.5	146	2,132	4,548	3,635	913
of which other countries	**2017**	**31.1**	**193**	**2,065**	**4,647**	**2,710**	**1,937**
	2016	29.2	170	1,797	4,206	2,306	1,900
Asia-Pacific (South Korea)	**2017**	**57.4**	**72**	**1,095**	**1,561**	**1,541**	**20**
	2016	52.3	70	1,014	1,400	1,389	11
Americas	**2017**	**38.8**	**190**	**1,644**	**2,637**	**2,049**	**588**
	2016	37.7	139	1,084	2,377	1,925	452
of which Argentina	**2017**	**35.9**	**54**	**388**	**499**	**344**	**155**
	2016	33.6	42	291	379	289	90
of which Brazil	**2017**	**37.8**	**111**	**1,041**	**1,880**	**1,498**	**382**
	2016	39.7	96	793	1,998	1,636	362
of which Colombia	**2017**	**51.6**	**25**	**215**	**258**	**207**	**51**
	2016	-	-	-	-	-	-
Africa - Middle-East - India	**2017**	**21.8**	**53**	**253**	**416**	**331**	**85**
	2016	18.2	43	224	389	321	68
Eurasia	**2017**	**26.7**	**138**	**552**	**191**	**179**	**12**
	2016	24.7	115	437	159	149	10
Total group	**2017**	**39.6**	**1,771**	**20,604**	**43,833**	**32,885**	**10,948**
	2016	37.7	1,564	17,933	38,259	28,192	10,067

[2] Figures refer to passenger car (PC) and light utility vehicle (LUV) markets.
[3] Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.
Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using the equity method.

CONSOLIDATED FINANCIAL HIGHLIGHTS 2017

In 2017, RCI Bank and Services records pre-tax income of €1,077 million. This performance was achieved in a favorable global economic environment, with continuing growth in European markets and an upturn in business in South America.

Earnings

Net banking income (NBI) increased 10.6% compared with 2016, to €1,628 million. This increase is attributable to the combined growth of the Financing (19.0% growth in average performing assets, APA) and Services activities (+ 20.5% compared to 2016).
Net banking income expressed as a percentage of APA came to 4.11% (against 4.41% in 2016). This decrease is attributable partly to the falling proportion of outstandings held by the Americas Region as a result of growth in Europe, and partly to the increase in risk provisioning on residual values in the United Kingdom.

Operating expenses came to €522 million, or 1.32% of APA, recording a 7-basis point decrease compared with 2016. With an operating ratio of 32.1%, the group demonstrated its ability to control its costs while supporting its strategic plans and business growth.

The total cost of risk (including country risk) came to 0.11% of APA, against 0.31% in 2016, confirming a robust underwriting and collection policy. 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.

Pre-tax income came to €1,077 million, showing an 18.1% increase compared with 2016 and reflecting RCI Bank and Services' ability to maintain its profitable growth momentum.
Consolidated net income – parent company shareholders' share – came to €721 million, against €602 million for 2016.

Balance sheet

Good commercial performances, especially in Europe, drove historic growth in net assets at end[2]-2017 to €43.8 billion, against €38.3 billion at end-2016 (+14.4%).

Consolidated equity amounted to €4,719 million against €4,060 million at 31 December 2016 (+16.2%).

Deposits from retail customers in France, Germany, Austria and the United Kingdom (sight and term deposits) totaled €14.9 billion at end-December 2017 against €12.6 billion at end-2016 and represented approximately 34% of net assets at end-December 2017.

Profitability

ROE[3] rose to 18.6% against 18.2% in 2016.

Solvency[4]

The Core Tier One ratio was 15.0% at end-December 2017, against 15.7% at end-2016.
The ratio at end-December 2017 includes a recalibration of certain parameters of the internal models used for risk weighted assets calculation.

Consolidated income statement (in million euros)	**12/2017**	12/2016	12/2015
Net banking income	**1,628**	1,472	1,362
General operating expenses[1]	**(522)**	(463)	(429)
Cost of risk	**(44)**	(104)	(93)
Share in net income (loss) of associates and joint ventures	**15**	7	4
Consolidated pre-tax income	**1,077**	912	844
Consolidated net income (parent company shareholders' share)	**721**	602	539

[1] Including depreciation and impairment losses on tangible and intangible assets and gains less losses on non-current assets.

Consolidated balance sheet (in million euros)	**12/2017**	12/2016	12/2015
Total net outstandings of which	**42,994**	37,544	31,226
• Retail customer loans	***21,609***	*18,802*	*16,316*
• Finance lease rentals	***10,437***	*8,675*	*6,870*
• Dealer loans	***10,948***	*10,067*	*8,040*
Operating lease transactions net of depreciation and impairment	**839**	715	558
Other assets	**5,876**	5,061	5,289
Shareholders' equity of which	**4,732**	4,072	3,507
• Equity (total)	***4,719***	*4,060*	*3,495*
• Subordinated debts	***13***	*12*	*12*
Bonds	**17,885**	14,658	13,096
Negotiable debt securities (CD, CP, BT, BMTN)	**1,182**	1,822	1,662
Securitization	**2,272**	3,064	2,776
Customer savings accounts - Ordinary accounts	**11,470**	9,027	7,332
Customer term deposit accounts	**3,464**	3,549	2,902
Banks, central banks and other lenders (including Schuldschein)	**5,854**	4,536	3,633
Other liabilities	**2,850**	2,592	2,165
BALANCE SHEET TOTAL	**49,709**	43,320	37,073

[2] Net assets at end-: net total outstandings + operating lease transactions net of depreciation and impairment.
[3] ROE (Return on equity), is calculated by dividing net income for the period by average net equity (excluding Income for the period).
[4] Subject to the ongoing control and validation works, the application of IFRS 9 should have a maximum impact on the solvency ratio estimated at -0.20%.

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.

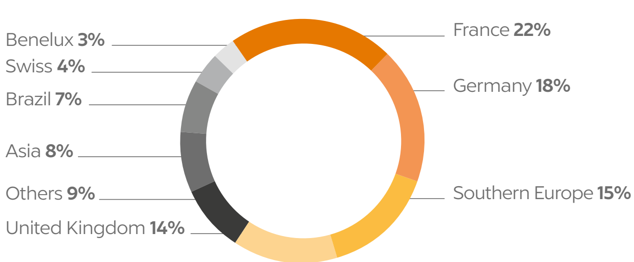
This combination of maturities, types of coupon and issue formats is part of the strategy implemented by the group for a number of years to diversify its sources of funding and reach out to as many investors as possible.

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.

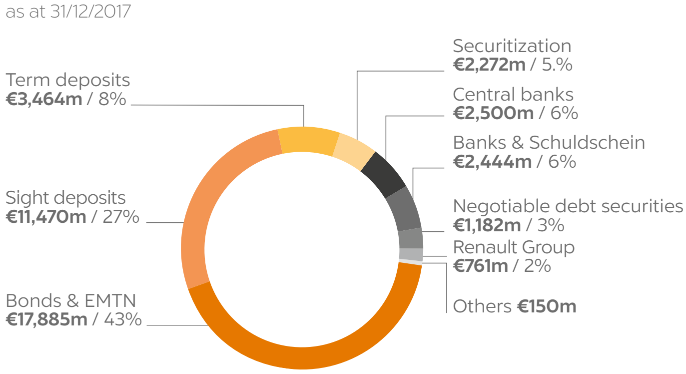
Geographical breakdown of new resources with a maturity of one year or more

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



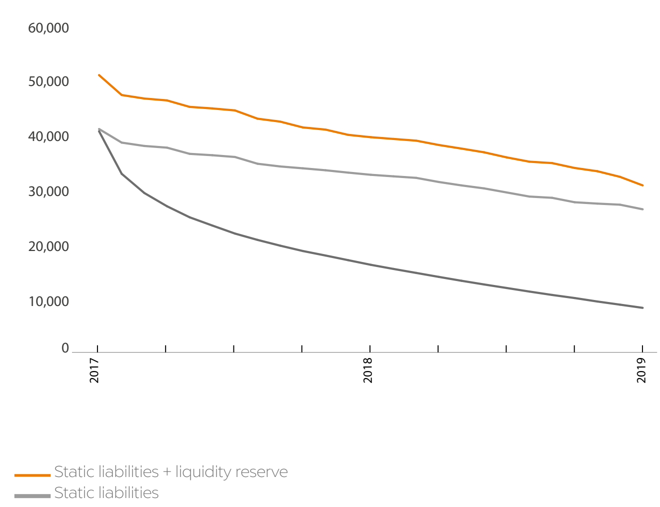
Structure of total debt

as at 31/12/2017



Static liquidity position[1]

(in million euros)



[1] Scope: Europe.

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

FINANCIAL POLICY

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.

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:

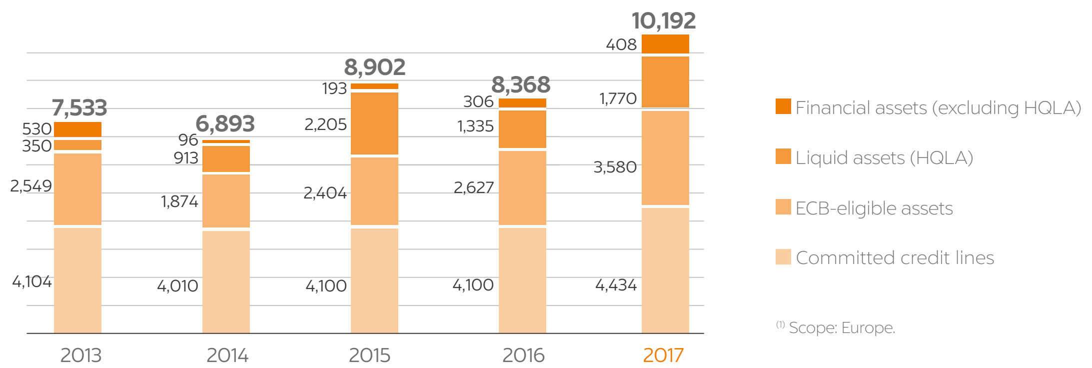
+€4.7 million in EUR,
+€0.4 million in KRW,
+€0.2 million in MAD,
-€2.9 million in GBP,
-€0.7 million in CHF,
-€0.4 million in BRL,
-€0.2 million in PLN.

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

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

Liquidity reserve[1]

(in million euros)



[1] 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	Moody's	Others
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			

[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.

RCI BANK AND SERVICES

This document and further information about RCI Bank and Services are available on: www.rcibs.com