PILLAR 3 DISCLOSURES 2025

Version 2.0

Next Review: October 2026

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GLOSSARY OF TERMS

1LOD	First Line of Defence
2LOD	Second Line of Defence
3LOD	Third Line of Defence
ALCO	Asset and Liabilities Committee
BAU	Business as Usual
BEVs	Battery Electric Vehicles
BRC	Board Risk Committee
CET1	Common Equity Tier 1 capital
CRC	Credit Risk Committee
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
DOA	Delegation of Authority
ERC	Executive Risk Committee
ERMF	Enterprise Risk Management Framework
EU	European Union
EWI	Early Warning Indicator
ExCom	Executive Committee
FCA	Financial Conduct Authority
GDPR	General Data Protection Regulation
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IMU	Incident Management Unit
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
MRM	Model Risk Management
ORP	Operational Resilience Policy
PCP	Personal Contract Purchase
PRA	Prudential Regulation Authority
RACC	Risk and Compliance Committee
RAS	Risk Appetite Statement
RCSA	Risk and Control Self-Assessment
RV	Residual Value
RWA	Risk Weighted Average
SREP	Supervisory Review and Evaluation Process
TCR	Total Capital Ratio
VT	Voluntary Termination

FORWARD-LOOKING STATEMENTS

This Pillar 3 contains statements that are, or may be deemed to be, forward-looking statements. Forward-looking statements typically use terms such as 'believes', 'projects', 'anticipates', 'expects', 'intends', 'plans', 'may', 'will', 'would', 'could' or 'should' or similar terminology.

Any forward-looking statements in this Pillar 3 are based on our current expectations, and, by their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, that could cause our actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements. As a result, you are cautioned not to place undue reliance on such forward-looking statements.

Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, expressed or implied, is made regarding future performance. No assurances can be given that the forward-looking statements in this Pillar 3 will be realised.

The Bank undertakes no obligation to release the results of any revisions to any forward-looking statements in this Pillar 3 that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement and we disclaim any such obligation.

STATEMENT ON INFORMATION PUBLISHED IN RESPECT OF PILLAR 3

Senior management and the Board of Directors are responsible for implementing and maintaining an effective internal control organisation overseeing the company's publications, including those issued in respect of the Pillar 3 report.

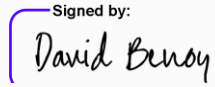
RCI Bank UK is committed to a robust internal controls framework in order to ensure that external reports and disclosures are subject to adequate verification and comply with the relevant standards and regulations. As an external publication, the Pillar 3 disclosures have been subject to internal verification and are reviewed by the RACC/ERC, BRC and the Board.

The governance in place allows for sufficient challenge and oversight prior to publication. The disclosures have not been, and are not required to be, subject to independent external audit.

"In that regard, we attest that Mobilize Financial Services UK discloses in its Pillar 3 report the information required by the "Disclosure (CRR)" section of the PRA Rulebook. After taking all reasonable measures to that end, we confirm that the information disclosed as of 31st December 2024, has been subjected to the same degree of internal control and same internal control procedures as other information provided as regards the financial report".

Kieran Costello

Acting Chief Financial Officer (CFO)



David Benoy

Chief Risk Officer (CRO)

Introduction

1.1 BACKGROUND

This report presents the Pillar 3 disclosures of MFS UK for the year ended **31st December 2024**, the Pillar 3 disclosure requirements apply to banks, building societies and investment banks.

These are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes.

The framework consists of three pillars:

- **Pillar 1:** Sets out the minimum capital requirements that banks are required to hold for credit, market and operational risks.
- **Pillar 2:** This builds on Pillar 1 and incorporates the bank's own assessment of additional capital resources needed to cover specific risks faced by the Bank that are not covered by the minimum regulatory capital resources requirement set out under Pillar 1. The amount of any additional capital requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ('SREP') and is used to determine the overall capital resources required by the Bank.
- **Pillar 3:** Aims to encourage market discipline by requiring banks to publish information on their principal risks, capital structure, risk management and remuneration. This report contains qualitative and quantitative information as prescribed within the Disclosure (CRR) Part of the PRA Rulebook, thereby providing transparency and further information on the capital and risk profile of MFS UK.

The Bank has remained above regulatory minima throughout 2024 and have robust processes in place to ensure it continues to operate above regulatory requirements and within Risk Appetite as set by the Board.

Common Equity Tier 1 (CET1) Ratio

13.46%

(2023: 13.81%)

Tier 1 Capital Ratio

13.46%

(2023: 13.81%)

Total Capital (TCR)

15.42%

(2023: 15.99%)

UK Leverage Ratio

10.60%

(2023: 10.90%)

Liquidity Coverage (LCR) Ratio

287%

(2023: 236%)

Net Stable Funding (NSFR) Ratio

126%

(2023: 130%)

Total assets as per financial statements

£7,299m

(2023: £6,932m)

Risk Weighted Assets (RWA)

£5,247m

(2023: £4,842m)

1.2 LEGAL ENTITY STRUCTURE

The shareholder and regulatory structure of Mobilize Financial Services is shown in the Governance Policy. RCI Bank UK is authorised by the PRA & regulated by the Financial Conduct Authority ("FCA") .

MFS in the UK is formed of five companies:

- ✓ RCI Bank UK Limited a 100% owned subsidiary of RCI Banque SA (registered in France);
- ✓ RCI-Financial Services Limited a 100% owned subsidiary of RCI Bank UK Limited; and
- ✓ Cars Alliance 2015 Limited a 100% owned subsidiary of RCI Financial Services Limited.
- ✓ Cars Alliance UK Master Plc a 100% owned subsidiary of RCI Financial Services Limited.
- ✓ Mobilize Lease & Co Limited an 85% owned subsidiary of RCI Bank UK Limited.

MFS operates in the UK car finance and retail deposit markets, with a core business strategy as set out in the Business Strategy 2024 document, which is included within the ERMF.

MFS is present in the UK credit and savings markets.

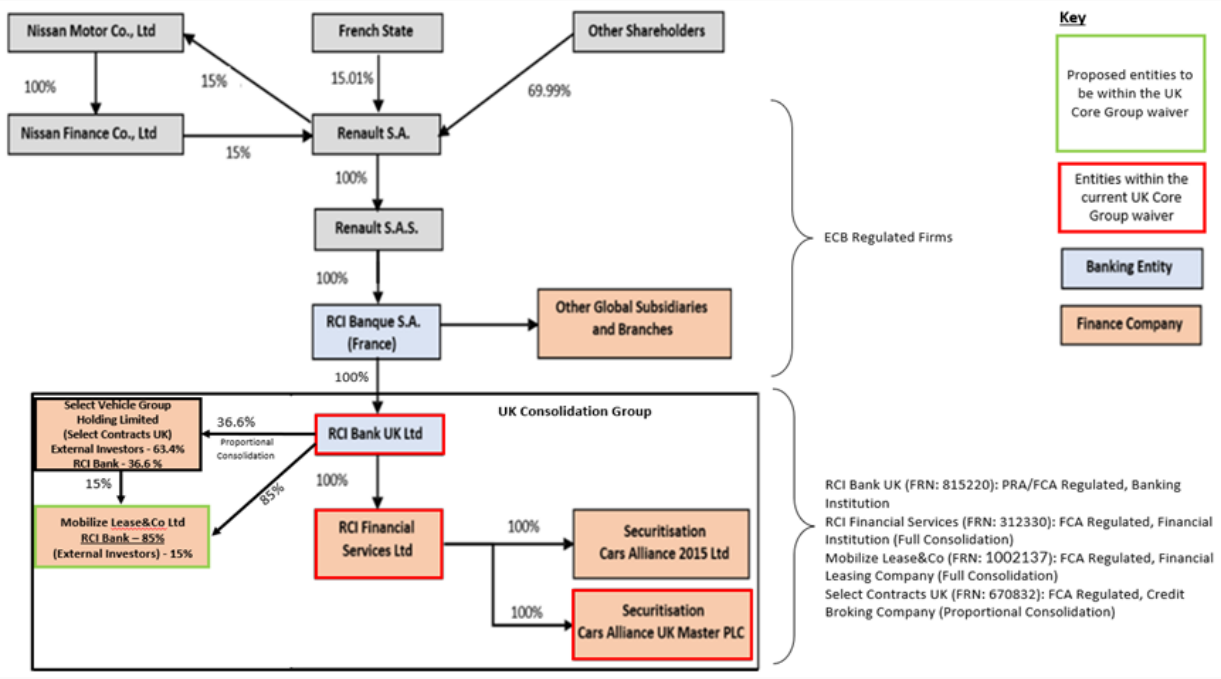
No MFS activity is considered as a "critical function" in the UK market; this means that MFS directly competes with other entities – usually bigger – that would naturally replace it in case of MFS bankruptcy.

RCI Bank UK Limited - The key function of the UK bank is to raise retail deposits in the UK which are lent to Mobilize Financial Services (MFS) to provide car finance to retail customers and dealers in support of the Alliance brands. The credit risk associated with this funds transfer is covered under a large exposure waiver between the two firms, recognised by the PRA. The bank also provides support services for MFS.

All funding, liquidity and capital management for the UK Group is managed by the Bank. Given the full interdependence of the two companies the following credit ratings are provided on a consolidated basis:

Credit Ratings (As of December 2024)	S&P	Moody's
RCI Banque	BBB- (stable outlook)	Baa1 (stable outlook)
Renault SA	BB+ (positive outlook)	Ba1 (stable outlook)

MFS UK entity structure as of December 2024



1.3 SCOPE OF THE REPORT

Scope

RCI Bank UK is authorised and regulated by the PRA and FCA and is required to comply with regulatory rules implemented by the PRA. These rules are enforced in the UK by the PRA and introduce consistent capital adequacy standards governing how much capital banks must hold to protect their depositors and shareholders.

This Pillar 3 report is prepared in accordance with the CRR. The report is also prepared in accordance with the PRA Rulebook which includes a number of new and revised disclosure requirements through the implementation of Policy Statement 22/21 applicable from 1st January 2022.

This document sets out our 2024 Pillar 3 Disclosure in accordance with the rules laid out in the CRR (Part 8). In meeting the regulatory requirements, this document provides information on MFS UK's capital and liquidity position, risk management processes, regulatory methodologies, and disclosure. The purpose of these disclosures is to give information based on calculating Basel 3 capital requirements and on the management of the risks that we face.

Basis of disclosure

We are required to report on the basis of our consolidated financial situation. Unless otherwise stated, all figures are as of 31st December 2024, with comparative figures for 31 December 2023 where relevant.

Frequency of disclosures

Our Pillar 3 Disclosures are published annually with this being the second iteration of the document for RCI Bank UK.

Risk Management Objectives & Policies

2.1 Risk Management Framework
2.2 Tier 2 Breakdown
2.3 Management of Key Risks
2.4 Risk Governance and Structure
2.5 Corporate Governance & Policies

2.1 RISK MANAGEMENT FRAMEWORK

The objective of Risk Management is to align risk-taking activities with RCI Bank's strategies and risk appetite, ensuring regulatory compliance. It aims to balance risk and reward and manage issues to achieve the best outcomes for customers and shareholders.

Risk Taxonomy

- The following table shows the risks and sub risk categories identified by RCI Bank. Tier 1 risks reflect primary risk groups and are in line with industry best practice. Tier 2 risks also follow best practice but are tailored to RCI Bank. (maintenance risk relates to specific RCI insurance services; foreign exchange risk is a recognised but not material risk).
- Within this Taxonomy, RCI Bank has developed a Strategic Risk Register which is used to identify, assess, and manage material risks that could impact RCI Bank's strategic goals and objectives.
- The strategic risks are split into Board Identified Risks and Management Identified 'Top Risks' and they are reviewed on a quarterly basis through the Board Risk Committee and Risk and Compliance Committee.

Monitoring Changes in Tier 1 risks

- On an annual basis, or as frequently as necessary, we evaluate current and emerging risks faced by RCI Bank.
- We monitor Tier 1 and Tier 2 risks on a quarterly basis in our Risk Summary Report with all Tier 1 risks receiving a RAG Status for the current period as well as forward looking status. All owners of these Risks are actively involved in this exercise highlighting any present or potential risk on the horizon.

GREEN – Implies performance is as expected and risks are being actively monitored and mitigated.

YELLOW - Indicates that slight deterioration has been observed in the indicator figure and this indicator will be monitored to ensure it does not deteriorate further

AMBER – Implies deterioration has been seen in some areas of risks and additional focus is required to monitor the situation going forward.

RED – Implies significant deterioration has been seen and immediate actions must be taken in order to monitor these risks and ensure further deterioration is not experienced.

Risks	
Tier 1	**Tier 2**
Credit Risk	Retail Risk
	Wholesale Risk
	Asset Quality Risk
	Concentration Risk
	Large Exposure Risk
Residual Value Risk	Pre-Life Risk
	Term Risk
	Post-Life Risk
	Vehicle Model Concentration
Financial Risk	Liquidity/ Funding Risk
	Capital Risk
	Asset Encumbrance Risk
	Interest Rate/ Market Risk
	Model Risk
	Counterparty Risk Assessment
	Tax Risk
	Pension Risk
Regulatory Risk	Prudential Risk
	Governance Risk
	Conduct Risk
	Financial Crime
	Compliance Risk (Inc. GDPR)
Operational Risk	Third Party Supplier Risk
	People Risk
	Business Process Risk
	Fraud Risk
	IT Risk
	Business Continuity/ Operational Resilience
	People Risk
	Data Risk
	Maintenance Risk
Legal Risk	Market Abuse
	Contract
	Claims
	Protection of Assets
Business & Strategic	Commercial Risk
	Loss/ Gain of Material Contracts
	Product Management Risk
	Profitability Risk
	External Risk
	Climate Change Risk
	Change Risk
Group Risk	Reputation & Culture Risk
	Change Risk
	Regulatory Compliance Risk
	Funding & Capital Risk
	Financial Crime Risk
	Legal Risk

2.2 TIER 2 BREAKDOWN

Tier 1	Tier 2	Breakdown
Credit Risk	Retail Risk	The risk of customer default.
	Wholesale Risk	The risk of motor dealer default.
	Asset Quality Risk	The risk of loss as a result of a customer default, credit risk mitigation not being as effective as expected.
	Concentration Risk	The risk of concentration in a single industry, location, geography, or trading from a single location/ entity.
	Large Exposures Risk	The risk of material loss from single/ connected counterparty default.
Residual Value Risk	Pre-Life Risk	The uncertainty and potential errors that may occur before the contract term begins, including RV setting risk and methodology risk.
	Term Risk	The uncertainty and potential losses that may occur during the contract term, including voluntary termination risk.
	Post-Life Risk	The uncertainty and potential losses that may occur after the contract term ends, including remarketing risk and asset quality.
	Vehicle Model Concentration	The potential financial loss that arises from a portfolio that is heavily concentrated to a specific vehicle model or a limited range of models.
Financial Risk	Liquidity / Funding Risk	The risk that MFS UK is not able to meet its day-to-day funding requirements as they fall due in both a business as usual and stress environment.
	Capital Risk	The risk of commercial or regulatory capital inadequacy.
	Asset Encumbrance Risk	The risk of material levels of encumbrance that may impede an orderly wind down of the business.
	Interest Rate/ Market Risk	The risk of interest rate mismatch managed by hedging and basis risk monitoring, including risks associated with trading assets, taking positions and unwinding assets.
	Model Risk	The risk of potential loss and regulatory non-compliance due to decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such models.
	Counterparty Risk Assessment	The risk of default by one of the counterparty Banks we place funds with.
	Tax Risk	The risk of loss arising from unanticipated material tax adjustments and penalties.
	Pension Risk	The risk that the defined benefit pensions scheme has not been accounted for correctly.
Regulatory Risk	Prudential Risk	The risk of legal, regulatory or reputational restrictions on the Bank's ability to deal with, counterparties who have transactions with other Prudential regulated members to meet commitments could give rise to a negative impact.
	Governance Risk	The risk of the Bank not acting in good faith and /or lack of appropriate risk management framework to effectively manage its risks.
	Conduct Risk	The risk that the Bank's behaviour, actions, or inactions result in poor outcomes or customer harm/ foreseeable harm and/or undermines market integrity.
	Financial Crime	The risk of financial loss or reputational damage due to regulatory fines, restriction or suspension of business, or cost of mandatory corrective action as a result of failing to comply with prevailing legal and regulatory requirements relating to financial crime.
	Compliance Risk	The risk of not complying with relevant regulatory and/or supervisory requirements.

2.2 TIER 2 BREAKDOWN

Tier 1	Tier 2	Breakdown
Operational Risk	Third Party Suppliers	The risk of loss, including reputational damage, as a result of poor Third-Party Suppliers process management and overview.
	People Risk	The risk of loss due including non-compliance due to inexperienced staff or insufficient staff members.
	Business Process Risk	The risk of loss including non-compliance due to poor management of business processes, policies, procedures and first level controls not being in place or are not being followed.
	Fraud Risk	The risk of loss including non-compliance and reputational damage, due to internal fraud.
	IT Risk	The risk due to a lack of, or insufficient IT systems to enable the business processes to be followed.
	Business Continuity/ Operational Resilience	The risk of loss including non-compliance and reputational damage, due to a lack of planning for unforeseen circumstances, causing interruption to business policies and processes.
	Data Risk	The risk of loss due to mismanagement of data, including non-compliance and reputational damage.
	Maintenance Risk	The risk of loss due to inability to carry out business processes due to non-identification of potential hazards and consequences.
Legal Risk	Market Abuse	The risk of loss and damage including reputational damage resulting from insider dealing, unlawful disclosure of inside information, and market manipulation of the financial markets which could arise from distributing false information, distorting prices or improper use of insider information.
	Contract	The risk of loss and damage including reputational damage resulting from the breach of agreed terms and conditions of a contract.
	Claims	The risk of loss and damage including reputational damage resulting from the claims being made whether they are of merit or valid.
	Protection of Assets	The risk of loss and damage including reputational damage resulting from the claims and/or action which may impact upon the assets of the business whether they are tangible or intangible assets.
Business & Strategic	Commercial Risk	The risk arising from a large number of defaults that can devalue the credit portfolio leading to negative reaction from investors.
	Loss / Gain of Material Contracts	The risk arising from a failure in acquiring or embarking on new ventures.
	Product Management Risk	The risk of incorrect product management, insufficient product pricing or inadequate product marketing, leading to uncertainty or potential loss of profitability.
	Profitability Risk	The risks associated with impact of changes in economic conditions, competitive forces and customer preferences on revenue and profit sustainability.
	External Risk	The risk associated with geopolitical instability, technological disruption and other external risks impact on MFS UK's business and strategic objectives.
	Climate Change Risk	The risk of non-compliance with climate-related regulations, risk of default from dealers due to loss/ damage from natural disasters.
	Change Risk	The risk of losses related to an initiative of change such as failure to meet budge, schedule, requirements and outcomes.
Group Risk		The risk of loss due to MFS Uks association with its parent company RCI Banque SA.

2.3 MANAGEMENT OF KEY RISKS

The following risks are categorised as Tier 1 risks in RCI Bank's Risk Taxonomy. These risks, both qualitative and quantitative are set at Board level and reported throughout the risk governance structure as set out in the Risk Management Framework.

	Exposures and Mitigation	Future Outlook
Credit Risk Credit risk represents a primary risk faces by RCI Bank covering both the retail and wholesale (dealer finance) portfolio. It is defined as the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. **Governance:** Credit risk is governed and monitored through Credit Committee, Executive Risk Committee, Excom, and Board Risk Committee. The 2nd LOD provides assurance. **Key Policies include:** Business Strategy, Collections Policy, Credit and Lending Policy.	RCI Bank has credit risk exposures across its network of dealers and customers in the event they default on their loans. Furthermore, the Bank are exposed to risk of default by one of the counterparties it places funds with. The UK Board has a low appetite for credit risk. Credit risk is governed and monitored through KRI and EWI reporting, Executive Risk Committee, Credit Risk Committee, Board Risk Committee and ExCom. Furthermore, RCI Bank has strong policies in place that manages lending within risk appetite limits and sets out a clear set of procedures for managing its portfolios and customers in financial difficulty.	The level of provisions and portfolio composition has put the Bank in a strong position to remain resilient throughout 2025. The Bank remains focused on monitoring emerging trends and the impact of macroeconomic conditions on customers.
Residual Value Risk Residual Value (RV) risk is the potential financial loss MFS UK may face if the actual market value of a returned vehicle is lower than its estimated residual value at the end of the lease term. **Governance:** Residual Value risk is governed and monitored by the RV committee, Credit Committee, Excom, Executive Risk Committee, and Board Risk Committee. **Key Procedures include:** Residual Value Review, Management Procedure.	RCI Bank faces Residual Value (RV) risk from vehicle leasing and financing activities, affected by market volatility, consumer demand, manufacturer pricing strategies, and macroeconomic changes. To mitigate this risk, the Bank sets aside RV provisions and uses conservative estimates for future vehicle values. Third-party benchmarks, like "CAP" data, inform residual value estimates, aligning assumptions with market conditions. Continuous monitoring of residual value indicators allows the Bank to adjust assumptions and provisioning levels as needed. RCI Bank's RV committee, including key stakeholders, frequently reviews and sets residual values based on the latest market data. The Bank also adapts its remarketing capacity to manage vehicle resale at lease end in coordination with manufacturers.	The Bank continues to monitor emerging trends and the impact of external factors on customers as RV setting and risk monitoring capabilities evolve.

2.3 MANAGEMENT OF KEY RISKS

	Exposures and Mitigation	Future Outlook
Financial Risk RCI Bank runs financial risk as a result of its business strategy including its UK deposit activity. In addition, RCI Bank must adhere to minimum regulatory Capital and Liquidity requirements. **Governance:** Financial risk is monitored by the Executive Risk Committee, Excom, and Board Risk Committee,. Assurance is provided by the CRO membership of ALCO and through 2nd Operational and Financial Risk. **Key Policies include:** Business Strategy, ICAAP, ILAAP, Capital Management Policy, Recovery Plan (including Liquidity Contingency Plan), and Funding, Liquidity & Market Risk Policy.	RCI Bank faces funding risk due to its reliance on Retail and Wholesale funding, including customer deposits, which are influenced by economic market conditions and investor sentiment. To mitigate this risk, the Bank diversifies its funding sources by raising customer deposits through various platforms and terms, supported by securitised asset transactions and strong investor relations. Liquidity risk arises from the need to maintain sufficient liquid assets to meet short-term obligations, especially during times of stress. RCI Bank addresses this by maintaining an adequate liquidity buffer, High-Quality Liquid Assets (HQLAs), and committed credit facilities. Capital risk involves ensuring the Bank has enough capital to absorb losses and support operations. Given its concentration in the auto financing industry and exposure to economic cycles, RCI Bank maintains a strong capital position, utilising additional Tier 2 Capital and managing intercompany loans to mitigate capital risk.	RCI Bank continues to operate above all liquidity buffers, and it will continue to assess both the underlying liquidity risks and the potential management actions on an ongoing basis, as part of the ILAAP. This includes, amongst other things, consideration of idiosyncratic and market wide stress scenarios and whether the funding and liquidity positions remain well calibrated and adequate to meet the business strategy. As at 31st December 2024 the Bank is well capitalised and operates above board and regulatory capital buffers. RCI Bank will continue to ensure that it has enough capital to always meet the minimum regulatory requirements as assessed via the Bank's ICAAP. The low appetite to credit risk combined with the profitability and disciplined approach to asset origination protects RCI Banks capital ratios.
Regulatory Risk The risk of regulatory sanction, financial loss and reputational damage as a result of failing to comply with relevant regulatory requirements. **Governance:** Regulatory risks are overseen by the Risk and Compliance under the CRO and Head of Compliance. **Key Policies include:** Governance Policy, Financial Crime Policy, Conflicts of Interest Policy, Conduct Risk Policy, Integrated Assurance Plan and Regulatory Compliance Manual .	RCI Bank is inherently exposed to regulatory risk, including conduct risk, due to its daily business activities and ongoing regulatory changes. The Board has a low-risk appetite for regulatory non-compliance, as outlined in the Risk Appetite Statement. To manage this, RCI Bank operates a three-line of defence model for risk identification, management, and mitigation across first, second, and third line functions. The escalation process for regulatory breaches is also defined in the Risk Appetite Statement. The Bank manages regulatory risk through a Board-approved Risk Management Framework, which includes defined risk frameworks, risk appetite measures, an embedded Risk Taxonomy, appropriate policies and standards, and the Integrated Assurance Plan. This framework is supported by systems and controls to manage regulatory risk, monitor key developments, and coordinate engagement with regulators. Corporate governance arrangements, including management and risk oversight committees, monitor and assess compliance with regulatory requirements, ensuring appropriate actions are taken when necessary.	The Bank focus is to remain compliant with relevant regulatory requirements by ensuring its Risk Management Framework continues to enhance and evolve to be able to withstand an ever changing regulatory and macroeconomic environment in a long-term basis. The Bank undertakes regular reviews of its risk frameworks, appetite limits and monitoring processes, proactively seeking review and challenge from the Board, in order to ensure these, remain up to date, robust and reflect current regulatory priorities and foreseeable and/or emerging risks.

2.3 MANAGEMENT OF KEY RISKS

	Exposures and Mitigation	Future Outlook
Operational Risk The risk that events arising from inadequate, failed internal processes, people and systems, or from external events. This definition includes legal but excludes strategic and reputational risk. **Governance:** The Board Risk Committee, supported by the Executive Committee, ensures that a robust system of operational risk management is in place and functioning correctly. They provide assurance to the Directors that the framework is appropriate and effective. **Key Policies include:** Operational Risk Management Policy, Operational Resilience Policy, Cyber Security Policy, Outsourcing and Third-Party Risk Management Policy.	Operational risk involves a range of potential challenges stemming from shortcomings or failures in internal processes, systems, human errors, or external events. To address operational risk, the Bank employs a robust risk management framework encompassing identification, assessment, control, monitoring, and review of risks. RCI Bank has established key risk, and performance indicators to track and ensure operational risks remain within acceptable limits. This framework includes strong cybersecurity measures and ongoing staff training to minimise human errors. The Bank maintains adequate capital in accordance with Regulatory and Board requirements, mitigating severe operational risk exposures through assessments of various risk scenarios. The Bank anticipates and prepares for potential disruptions. When operational risks occur, RCI Bank responds efficiently by documenting, evaluating incidents, and implementing corrective actions to prevent recurrence.	Focus remains on operational resilience. The management of risks associated with the Important Business Services and risk to third party suppliers are key priorities. In addition, the Operational Risk Management focus for 2025 will remain on collating a list of subjects which would benefit from a 2nd level review. These are captured via incidents, RCSA review, Committee comments, supporting the growth of the business strategy, noting regulatory/legal changes, industry topics, changes in systems, processes and the organisation. The objective being to gain assurance and give feedback on risk control.
Business & Strategic Risk The risk of having a poorly defined or implemented strategy that fails to adapt to political, environmental, business, and other developments, or does not meet stakeholder requirements and expectations. **Governance:** Business & Strategic risk is owned by the CEO with oversight from the 2nd LOD. **Key Policies include:** Business Strategy, Risk Appetite Statement, Integrated Assurance Plan, ESG Strategy.	Business & Strategic risk arises from implementing an inappropriate strategic plan or designing an appropriate plan but failing to implement it as intended. The current macroeconomic challenges in the UK continue to create an uncertain outlook. In addition, RCI Bank operate in an increasingly competitive environment, with the pace of change and complexity posing risks to strategic initiatives. The Bank maintains a board-approved business strategy and actively takes account of current and forward-looking risk in making commercial decisions. The Board considers commercial risk as a combination of internal (including Renault/Mobilize Group) and external factors. The UK business is managed on an ongoing basis of balancing risk and opportunity.	Although there remains existing and emerging macroeconomic and geopolitical uncertainties, RCI Bank's strategy remains essentially unchanged. Despite challenges around Motor Commissions, the demand for vehicle / car financing appears stable, and are within budget.

2.3 MANAGEMENT OF KEY RISKS

	Exposures and Mitigation	Future Outlook
Group Risk Risk of loss due to MFS's association with its parent company Mobilize Banque SA. **Governance:** Group risk is monitored by the Board and Excom. **Key Policies include:** Business Strategy, and Governance Policy.	The UK Board values its relationship with its 100% shareholder and maintains local governance through its independence and effectiveness, as well as the Mobilize Group Delegation of Authority (DOA) outlined in the Governance Policy. The Board acknowledges that the performance and strategy of the Renault/Mobilize Group can influence the UK business strategy and financial risks, particularly through parental capital and funding. Group risk is monitored by the Board and ExCom. In urgent situations, the Incident Management Unit (IMU) may be convened to assess the impact of Renault or Mobilize Group activities on RCI Bank.	As of 31st December 2024, RCI Bank's Parent company Renault SA rating: • Moody's long-term rating is positive at Ba1. • Renault SA – S&P: BB+ (Stable). • Moody's outlook also remains stable for RCI Banque's long-term deposit rating at Baa1. • RCI Banque SA long term rating - S&P: BBB - (Stable).

2.4 RISK GOVERNANCE AND STRUCTURE

MFS employs a 'Three Lines of Defence' risk model, emphasizing that risk capability must be embedded within Business teams for effectiveness. Risk management responsibility is distributed across all levels of the Bank and supported by Board and Executive committees, as detailed in the table.

	Risk Management Framework		
	First line	**Second line**	**Third line**
Lines of Defence	• Employees understand and manage risks inherent in their roles specific to their lines of business. • Effective oversight of all outsourcing arrangements including provision of technology support and other services. Individual relationship owners for each material outsource contract. • Activities remain within the Risk Appetite set by the board. • Risk owners identified for daily operations and activities including product & service delivery and tests of customer outcomes, in line with the FRR012 RACI Model Procedure. • Creating business level policies, procedures, hierarchical first level controls and KPIs to meet the objectives of policies set by the Executive Committee. • Identification and management of breaches / incidents as detailed in the Operational Risk Policy. • Dynamic, real-time RCSA updates, includes Risk Register maintenance and semi-annual self-assessment of Residual Risk Ratings (RRR) and annual Group Risk Assessments.	• Role in challenging policies, controls and procedures set by the first line. • Oversee and monitor first line ensuring consistent application of policies, procedures and control standards. • Develop a risk-based approach to oversee and monitor the lines of business. • Horizon scanning for regulatory and legislative changes and support 1st line in monitoring the implementation of changes . • Maintain a risk management framework across MFS UK. • Manage the annual risk identification exercise across the business to review the risk taxonomy. • Manage, oversee and challenge the RCSA process, through a semi-annual report, particularly in cases where weaknesses are identified in the design and/or operation of individual controls. • Propose and manage and oversee the annual assurance testing plan. • Oversee the Level 1 handling of incidents to resolve and prevent contagion/reoccurrence. As detailed in the Operational Risk Policy.	• The Internal Audit team are responsible for conducting risk-based internal audits on the effectiveness of first and second lines in identifying, managing, controlling and monitoring risks. • They review at least annually the operations of all risk functions. • Report to the Chair of the Board Audit Committee on the effectiveness of 1st and 2nd lines (including the oversight of RCI Bank UK outsourcing arrangements with RCI FS, RCI Banque SA and NSSL). • The Board Audit Committee challenge and approve the internal audit program.
Risk Governance Committees	• Executive Committee • Assets and Liabilities Committee - ALCO • Credit Committee	• Board Risk Committee • Executive Risk Committee	• Board Audit Committee

2.4 RISK GOVERNANCE AND STRUCTURE

Board			
Sets Risk Appetite and Strategy			
• Sets our strategy, corporate objectives, risk appetite.	• Ensures an adequate framework is in place for reporting and managing risk.	• Maintains an appropriate control environment to manage risk effectively.	• Ensures capital, liquidity and other resources are adequate to achieve our objectives within risk appetite.

Board Risk Committee			
Oversees Risk Governance and Management			
• Recommends risk appetite statement measures to the Board.	• Reviews risk exposures in relation to the risk appetite.	• Reviews risk frameworks and policies, • and approves or recommends to the Board for approval.	• Monitors the effectiveness of risk management processes and procedures put in place by management.

Board Audit Committee			
Oversees Financial Reporting			
• Reviews our annual financial statements and accounting policies.	• Reviews the effectiveness of the internal audit, audit controls, whistleblowing and fraud systems in place.	• Advises on the appointment of external auditors.	• Reviews internal and external audits and controls, monitors the scope of the annual audit and the extent of the non-audit work undertaken by external auditors.

Executive Risk Committee	Asset and Liability Committee
Oversee the Risk Management Framework	**Oversees Financial Risk**
• Approve implementation of and changes to policies in line with agreed delegated authority limit. • Review the design, implementation, and effectiveness of risk-related policies, including operation of the policy framework. • Review and monitor MFS UK risk profile in relation to current and proposed business strategy and risk appetite to identify risk trends, exposures, or concentrations to necessitate mitigation. • Recommend policy changes to BRC and the Board. • Monitor risk from the executive management committees in relation to significant issues that require remedial action. • Review and monitor MI and KRIs to support effective risk modelling, stress testing, monitoring, and decision-making. • Recommend and endorse the Risk Management Framework and Risk Appetite Statement to BRC and the Board, including limits and tolerance levels on an annual basis. • Recommend and endorse the annual Integrated Assurance Plan to BRC for approval. • Review reports on the integrated compliance monitoring and assurance activity, assess management response, and oversee the completion of action plans for matters requiring remediation.	• Oversee first line management of financial risks. • Set any additional restrictions or limitations appropriate to ensure that risk is properly controlled. • Request reports from time to time to be prepared by experts or independent advisors to assist in meeting ALCO's obligations. • If a target level, alert thresholds of relevant risk appetite metrics or Early Warning Indicators, were breached ALCO would assess and decide how to address the situation, i.e. to implement remedial action. • A periodic review of the appropriateness of risk policy, risk limits and delegated authorities referenced to MFS UK Group risk appetite and capacity to absorb risk events. • A periodic self-assessment of the capacity and capability of the Risk Function to adequately discharge its duties to identify, measure, monitor, and control the risks. • A periodic review of the preparation of the MFS UK group ICAAP and ILAAP.

2.5 CORPORATE GOVERNANCE & POLICIES

A core objective for MFS is the effective governance and management of risk. MFS operates a 3 Lines of Defence (3 LoD) model, and the Board have ultimate responsibility of monitoring and governing risks. The key frameworks and processes for managing risks are outlined within this section.

Operational Resilience

The purpose of the Operational Resilience policy (ORP) is to ensure that BAU continues so that MFS's important business services, stakeholders, customers, activities, systems, and processes are not disrupted.

The ORP also has an important aspect of ensuring the continuity and safeguarding of the priority business outcomes for the customers and stakeholders of MFS. This is especially important in the event of a contingency situation, to ensure the ability of MFS UK to recover quickly. This includes enabling it to deliver priority business outcomes and services uninterrupted or as soon as possible in the event of disruption.

Additionally, MFS has an Operational Resilience Self Assessment report as outlined in the PRA Supervisory Statement SS1/21. This focuses on MFS's Important Business Services and the impact to the business a disruption to these services would cause.

Risk Appetite Statement (RAS)

MFS's RAS considers the most significant risks to which MFS is exposed to and provides an outline of the approach to managing these risks.

It raises risk awareness across the organisation and guides staff regarding acceptable and unacceptable risks.

The RAS supports the Board of Directors and senior management in planning formulating and executing strategic business decisions, in engaging in discussions on risk-taking, risk management and business strategy, and in monitoring and aligning the Bank's risk profile with the Risk Appetite.

Risk Management Framework (RMF)

MFS's RMF and component documents set out the MFS methods of managing risk by identification, assessment, Risk-Response, Monitoring, Reporting and Review.

The RMF comprises of:

- The key risk identification process;
- The culture of MFS and the tone from the top;
- The outline of MFS's Risk Appetite and Business Strategy;
- The operation of the 3LOD model; and
- The responsibilities of committees in place to govern risk.

Recovery Planning

MFS maintains a Board approved Recovery Plan which identifies triggers to allow timely and effective recovery option use in the event of severe stress.

Together with the ICAAP, ILAAP and RAS, the Recovery Plan promotes:

- MFS's strategy for preservation of capital and liquidity surpluses significantly in excess of regulatory requirements.
- Effective monitoring of risk metrics and escalation of any deterioration in risk exposure.
- A scaled framework of credible and tested management/contingency actions.
- Recovery Options, preserving MFS's self-sufficiency even in times of severe stress.

2.5 CORPORATE GOVERNANCE & POLICIES CONTINUED

Business Continuity and Disaster Recovery

MFS's Business Continuity Plan (BCP) includes alternative processes and resources to handle disruptions to Business as Usual (BAU), especially for unexpected incidents. The BCP ensures adaptability to various scenarios and clarifies staff responsibilities during crises to maintain effective operations. It is essential for all staff to understand their roles and actions required during a crisis to keep the organization functioning efficiently.

It is not possible to foresee when a disaster will occur; its nature nor its duration - the Business Continuity Plan must be capable of being adapted to meet the circumstances effectively.

It is an essential document to ensure that all staff are aware of their responsibilities and what actions should be taken in a crisis situation so that the organisation can continue to work effectively and efficiently.

The BCP must be capable of adapting to unforeseen incidents, regardless of their nature or duration. As part of the BCP, MFS has an Incident Management Unit (IMU) responsible for managing and coordinating activities during major incidents until normal operations resume. If MFS systems are unavailable, the IS team will issue a disaster recovery alert to the IMU.

Risk and Control Self-Assessment (RCSA)

The RCSA is a tool for identifying, assessing, and examining operational risks and the effectiveness of controls to mitigate those risks. Its objective is to ensure that operational risk events do not hinder business objectives and that risk management protocols are sustainable and robust. Key components include:

The Risk Taxonomy which is a comprehensive set of risk categories used within MFS. It provides a common and stable framework for risk identification, encouraging consideration of all types of operational risks that could affect MFS's objectives. This taxonomy helps standardise risk assessment across the organisation, ensuring consistency and thoroughness in identifying potential risks.

Monitoring and reporting

Risk monitoring ensures that an ongoing awareness of risk management and current risk exposure is maintained. MFS's core risk monitoring activities include:

- Daily monitoring of large exposures.
- Monthly monitoring of Key Risk Indicators (KRIs) and Early Warning Indicators (EWIs), with escalation of breaches.

Risk reporting provides Senior Management, Executive Committee, Board and the regulator with an accurate, frequent and clear account of the current risk position.

Reporting will also highlight any risk breaches or potential breaches in the business. MFS's risk reporting processes include:

- Monthly and quarterly risk reporting to relevant committees and regulators.
- Escalation and progress reporting to manage risk exposures.
- Risk RAG Summary reporting to the Executive Committee.
- Monthly reporting of KRIs and EWIs to the Board and Regulator.
- Quarterly reporting of material risks to relevant committees, including the Board Risk Committee.

Model Risk Management (MRM)

Model risk can be mitigated, though not entirely eliminated, through an effective Model Risk Management (MRM) framework. This framework includes comprehensive governance, oversight, and model lifecycle management. MFS's robust MRM framework establishes rules for effective End-User Computing (EUC) and model management, ensuring data security and mitigating potential risks associated with EUC and models.

Disclosure of Key Metrics

DISCLOSURE OF KEY METRICS

Table 1: UK OV1 – Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs) £'million		Total own funds requirements £'million
		31st December 2024	31st December 2023	31st December 2024
1	Credit risk (excluding CCR)	4,946	4,543	709
2	Of which the standardised approach	4,946	4,543	709
6	Counterparty credit risk - CCR	11	10	2
7	Of which the standardised approach	11	10	2
UK 8b	Of which credit valuation adjustment - CVA	3	9	0
23	Operational risk	288	280	41
UK 23a	Of which basic indicator approach	288	280	41
29	**Total**	**5,247**	**4,842**	**752**

Internal Capital Adequacy Assessment Process (ICAAP)

In assessing adequacy of internal capital, MFS conducts an annual Internal Capital Adequacy Assessment in line with the PRA's methodologies for setting Pillar 2 capital. MFS conducts both a qualitative and quantitative assessment of identified material risks and Pillar 2A capital is set aside based of the outcome of this assessment.

MFS also conducts a stress test on its balance sheet, profitability and capital over a forecasted 5-year period through defined severe but plausible scenarios.

The outcome of this stress test determines the need for Pillar 2B capital. The outcome of the Internal Capital Adequacy Assessment Process (ICAAP) is documented in line with regulatory guidelines and global best practice. It is subject to detailed internal review and challenge before final approval by the Board. It is sent to the PRA on an annual basis.

The result of the internal capital adequacy assessment process has been last shared with the PRA in July 2024. The 2025 review process has been finalised and has been formally approved by the Board in July 2025.

DISCLOSURE OF KEY METRICS

Table 2: UK KM1 - Key metrics template

		31st December 2024 £'million	31st December 2023 £'million
Available own funds *(amounts)*			
1	Common Equity Tier 1 (CET1) capital	707	669
2	Tier 1 capital	707	669
3	Total capital	809	774
Risk-weighted exposure *(amounts)*			
4	Total risk-weighted exposure amount	5,247	4,842
Capital ratios *(as a percentage of risk-weighted exposure amount)*			
5	Common Equity Tier 1 ratio (%)	13.46%	13.81%
6	Tier 1 ratio (%)	13.46%	13.81%
7	Total capital ratio (%)	15.42%	15.99%
Additional own funds requirements based on SREP *(as a percentage of risk-weighted exposure amount)*			
UK 7a	Additional CET1 SREP requirements (%)	1.84%	1.86%
UK 7c	Additional T2 SREP requirements (%)	0.46%	0.46%
UK 7d	Total SREP own funds requirements (%)	9.84%	9.86%
Combined buffer requirement *(as a percentage of risk-weighted exposure amount)*			
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	2.0%	2.0%
11	Combined buffer requirement (%)	4.5%	4.5%
UK 11a	Overall capital requirements (%)	14.34%	14.36%
12	CET1 available after meeting the total SREP own funds requirements (%)	3.62%	3.95%
Leverage ratio			
13	Total exposure measure excluding claims on central banks	6,642	6,148
14	Leverage ratio excluding claims on central banks (%)	10.6%	10.9%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	899	1,035
UK 16a	Cash outflows - Total weighted value	659	718
UK 16b	Cash inflows - Total weighted value	293	251
16	Total net cash outflows (adjusted value)	365	467
17	Liquidity coverage ratio (%)	287%	236%
Net Stable Funding Ratio			
18	Total available stable funding	6,115	5,622
19	Total required stable funding	4,863	4,312
20	NSFR ratio (%)	126%	130%

OWN FUNDS

Table 3 : UK CC1 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		31st December 2024 £'million	Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	**290**	(h)
	of which: Instrument type 1	290	
2	Retained earnings	437	
3	Accumulated other comprehensive income (and other reserves)	(4)	
5	Minority interests (amount allowed in consolidated CET1)	0	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**723**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)		
8	Intangible assets (net of related tax liability) (negative amount)	(17)	(a)minus (d)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(17)**	
29	**Common Equity Tier 1 (CET1) capital**	**706**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
45	**Tier 1 capital (T1 = CET1 + AT1)**	**706**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	100	
50	Credit risk adjustments	3	
51	**Tier 2 (T2) capital before regulatory adjustments**	**103**	
Tier 2 (T2) capital: regulatory adjustments			
58	**Tier 2 (T2) capital**	**103**	
59	**Total capital (TC = T1 + T2)**	**809**	
60	**Total Risk exposure amount**	**5,247**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.46%	
62	Tier 1 (as a percentage of total risk exposure amount)	13.46%	
63	Total capital (as a percentage of total risk exposure amount)	15.42%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	10.03%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	2%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**6.43%**	
Amounts below the thresholds for deduction (before risk weighting)			
73	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 (amount below 17.65% thresholds and net of eligible short positions)	17.65% threshold added	

OWN FUNDS

Table 4 : UK CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published financial statements £'million As at period end	Under regulatory scope of consolidation £'million As at period end	Reference
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*				
1	Cash and cash at central banks	960	961	Regulatory Scope of Consolidation includes proportional consolidation of Select Vehicle Leasing Group Holdings in which RCI Bank (trading as MFS) has 36.6% shareholding.
2	Financial assets held for trading	12	12	
3	Non-trading financial assets mandatorily at fair value through profit or loss - Equity instruments	-	0	
4	Investment securities	124	124	
5	Loans and advances to customers	5,355	5,367	
6	Tangible assets	574	575	
7	Goodwill	-	14	
8	Intangible assets	2	2	
9	Deferred tax assets	31	31	
10	Other assets	225	226	
11	Investment in associate	16	-	
	Total assets	7,299	7,312	
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*				
1	Derivative financial instruments	6	6	
2	Deposits from customers	5,081	5,081	
3	Deposits from banks	565	565	
4	Debt securities issued	700	700	
5	Financial liabilities measured at amortised cost - Other financial liabilities	50	61	
6	Provisions	74	74	
7	Retirement benefit liability	1	1	
8	Commitments and guarantees given	0	0	
9	Current tax liabilities	6	6	
10	Other liabilities	94	95	
	Total liabilities	6,576	6,588	
Shareholders' Equity				
1	Issued capital	290	290	
2	Retained earnings	437	437	
3	Non-controlling interests	- 0	- 0	
4	Other reserves	- 4	- 4	
	Total shareholders' equity	723	723	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