RCI BANQUE SA

FINANCIAL REPORT 2019

SUMMARY

RCI BANK AND SERVICES

BUSINESS REPORT
2019

RCI BANK AND SERVICES[1] OVERVIEW

RCI Bank and Services provides a range of financial solutions and services 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.

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** 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

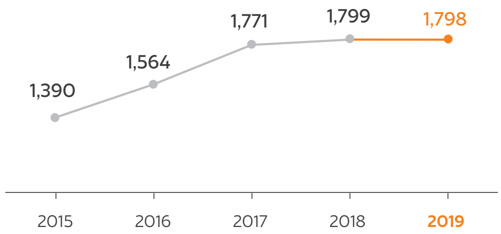
The Savings business was launched in 2012 and now operates in five markets, namely France, Germany, Austria, the United Kingdom and Brazil since march 2019. Savings deposits are a key instrument in the diversification of funding sources for its business. Deposits collected amounted to €17.7 billion, or approximately 35% of net assets at the end of December 2019[3].

3,700 EMPLOYEES ACROSS 36 COUNTRIES

Our employees operate all over the world alongside Alliance manufacturers:
Europe; Americas; Africa - Middle-East - India and Pacific[4]; Eurasia.

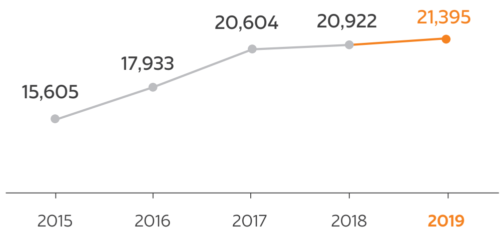
TOTAL NUMBER OF VEHICLE CONTRACTS

(in thousands)



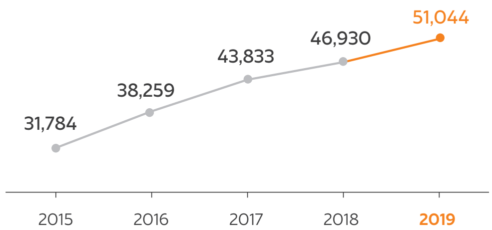
NEW FINANCINGS

(excl. personal loans and credit cards/in millions of euros)



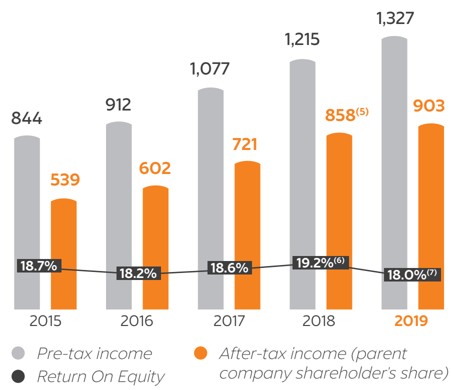
NET ASSETS AT YEAR-END[3]

(in millions of euros)



RESULTS

(in millions of euros)



(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 Groupe Renault's brands (Renault, Dacia, Alpine, Renault Samsung Motors, Lada) in the world, the Nissan Group's (Nissan, Infiniti, 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 year-end: net total outstandings + operating lease transactions net of depreciation and impairment.
(4) Change in the regional organization of Groupe Renault with effect from 1 May 2019: the creation of the new "Africa - Middle-East - India and Pacific" region is reflected in the RCI scope by the grouping of the former "Africa - Middle-East - India" and "Asia-Pacific" regions and now include Algeria, Morocco, India and South Korea.
(5) After-tax result was impacted by deferred tax income of €47 million at the end of 2018.
(6) Excluding the impact of deferred tax, ROE stood at 18.1% in 2018.
(7) Excluding the impact of start-ups, ROE was 17.6% in 2019 compared to 19.8% at in 2018.

BUSINESS ACTIVITY 2019

RCI Bank and Services posts a further increase in its sales performance for 2019 and keeps its goals on track. RCI Bank and Services confirms its position as a key strategic partner to the Alliance brands.

RCI Bank and Services recorded strong sales performance with 1,798,432 contracts financed in 2019 (- 469 contracts compared to 2018), despite a shrinking global automotive market, generating new financings of €21.4 billion, an increase of 2.3% compared to last year.

The group's Financing penetration rate thus came to 42.2%, a year-on-year increase of 1.5 points. Excluding Turkey, Russia and India (companies consolidated using the equity method), it came to 44.2%, against 42.9% in 2018.

Growth in the Used Vehicle Financing business line continued with 368,409 contracts financed, a 3.7% increase on 2018.

Average performing assets (APA)[1] came to €47.4 billion, showing 6.8% growth since 2018. Of this amount, €37.2 billion are directly attributable to the Retail Customer business, which posted a 9.4% rise.

A strategic pillar of the group, the Services business saw increased activity with a 5.2% growth in volumes against the previous year. The number of services sold in 2019 represented 5.1 million insurance policies and service contracts, of which 68% in customer- and vehicle-use related services.

The Europe Region posted strong sales results, achieving growth in the Financing penetration rate at 45.4%, compared with 44.9% last year.

In an unpredictable economic environment (mainly in Argentina), the Financing penetration rate in the Americas Region rose to 38.0%, up 3.0 points from 2018, driven by strong performances in Brazil and Colombia which recorded high penetration rates of 39.4% and 53.8% respectively.

The Financing penetration rate in the Africa - Middle-East - India and Pacific Region continued to rise to 40.9%, an increase of 3.6 points compared with 2018. In South Korea, over half of all new vehicles sold by Renault Samsung Motors were financed by RCI Bank and Services, resulting in excellent sales performance with a Financing penetration rate of 59.5%, an increase of 2.7 points. The Moroccan subsidiary also saw its Financing penetration rate rise by 3.5 points against last year, reaching 36.8%.

The Eurasia Region posted a Financing penetration rate of 29.7%, fueled in particular by strong performance in Romania, where the Financing penetration rate saw a strong improvement of 7.5 points to 33.2%. This was also the case in Russia, with a sharp 5.5-points rise in the Financing penetration rate compared to 2018, to 32.2%.

	Financing penetration rate (%)		New vehicle contracts (thousands)		New financings excl. credit cards and personal loans (€m)		Net assets at year-end[2] (€m)		Of which Customer net assets at year-end (€m)		Of which Dealer network net assets at year-end (€m)	
PC + LCV market[1]	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
EUROPE	**45.4%**	44.9%	**1,342**	1,350	**17,898**	17,698	**45,413**	41,832	**34,488**	31,668	**10,925**	10,164
of which Germany	**44.3%**	43.7%	**188**	185	**2,902**	2,785	**8,418**	7,472	**6,805**	6,097	**1,613**	1,375
of which Spain	**52.6%**	54.6%	**154**	166	**1,842**	2,002	**4,797**	4,464	**3,762**	3,637	**1,035**	827
of which France	**49.3%**	47.5%	**490**	472	**6,363**	6,030	**15,579**	14,324	**11,788**	10,664	**3,791**	3,660
of which Italy	**65.7%**	63.4%	**210**	203	**3,030**	2,871	**6,297**	5,821	**4,946**	4,450	**1,351**	1,371
of which United Kingdom	**29.3%**	33.6%	**106**	123	**1,589**	1,804	**4,781**	4,680	**3,800**	3,780	**981**	900
o/w other countries	**32.2%**	31.9%	**194**	201	**2,172**	2,206	**5,541**	5,071	**3,387**	3,040	**2,154**	2,031
AFRICA - MIDDLE-EAST - INDIA AND PACIFIC	**40.9%**	37.3%	**119**	121	**1,240**	1,236	**2,168**	2,071	**2,036**	1,948	**132**	123
AMERICAS	**38.0%**	35.0%	**208**	202	**1,688**	1,464	**3,145**	2,769	**2,572**	2,182	**573**	587
of which Argentina	**21.0%**	23.1%	**20**	38	**74**	143	**189**	314	**97**	185	**92**	129
of which Brazil	**39.4%**	38.3%	**156**	139	**1,331**	1,103	**2,470**	2,112	**2,038**	1,699	**432**	413
of which Colombia	**53.8%**	47.5%	**33**	25	**282**	217	**486**	343	**437**	298	**49**	45
EURASIA	**29.7%**	27.0%	**128**	127	**569**	523	**318**	258	**303**	245	**15**	13
TOTAL GROUPE RCI BANQUE	**42.2%**	**40.7%**	**1,798**	**1,799**	**21,395**	**20,922**	**51,044**	**46,930**	**39,399**	**36,043**	**11,645**	**10,887**

(1) Figures refer to passenger car (PC) and light commercial vehicle (LCV) markets.
(2) Net assets at end: net total outstandings + operational lease transactions net of depreciation and impairment.
Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using equity method.

(1) Average Performing Assets: APA correspond to average performing outstandings plus assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at month-end. For Dealers, it means the average of daily performing assets.

CONSOLIDATED FINANCIAL HIGHLIGHTS 2019

In 2019, RCI Banque generated pre-tax income of €1,327 million. This record increase confirms the ability of RCI Bank and Services to maintain its profitable growth momentum.

EARNINGS

Net banking income (NBI) increased 8.6% compared with 2018, to €2,096 million. This increase is attributable to the combined growth of the Financing activities (6.8% growth in average performing assets, APA) and growth in Services activities (+11.2% compared with the previous year), as well as the positive impact of the disposal of equity investments in mobility start-ups[(1)].

Operating costs totaled €597 million, or 1.26% of APA, a 1-basis point increase compared with last year. With a cost-to-income ratio of 28.5%, RCI Banque evidences its ability to keep its operating costs under control, while supporting strategic projects and the growth of its business.

The cost of risk for the Customer business (financing for private and business customers) also remained under control at 0.47% of APA, against 0.51% in 2018. For the Dealer business (financing for dealerships), the cost of risk was negative as in 2018, at -0.09% of APA in 2019, against -0.33% the previous year. The total cost of risk, which includes the write-off of loans granted to the Marcel start-up in the amount of €11.4 million (0.02% of APA) remains stable at 0.37% of APA, compared with 0.33% in 2018, confirming a robust underwritting and collection policy.

Pre-tax income stood at €1,327 million, versus €1,215 million the previous year. Excluding the item linked to the sale of mobility start-ups to Renault MAI, pre-tax income rose by €62 million.

Consolidated net income - parent company shareholders' share - came to €903 million at end-December, against €858 million for 2018.

BALANCE SHEET

Good commercial performances, especially in Europe, drove historic growth in net assets[(2)] at end-December 2019 to €51.0 billion, against €46.9 billion at end-December 2018 (+8.8%).

Consolidated equity amounted to €5,702 million, compared with €5,307 million at end-December 2018 (+7.4%).

Deposits from retail customers in France, Germany, Austria, the United Kingdom and Brazil[(3)] (sight and term deposits) totaled €17.7 billion at end-December 2019 against €15.9 billion at end-December 2018 and represented approximately 35% of net assets at end-December 2019.

PROFITABILITY

ROE[(4)] amounted to 18.0%[(5)], against 19.2%[(6)] in 2018.

SOLVENCY

The total capital ratio[(7)] came to 16.87% at December 31, 2019 (of which Core Equity Tier One was 14.41%), against 15.48% at December 31, 2018 (of which Core Equity Tier One was 15.46%). The total capital ratio rose at the end of 2019 following the Tier 2 subordinated debt issue in the amount of €850 million. This issue strengthens RCI Banque regulatory capital in anticipation of the expected recalibration of the parameters of our internal models following the review conducted by the ECB[(8)] and the application of the EBA Guidelines on the definition of defaulted receivables.

Consolidated income statement *(in millions of euros)*	**12/2019**	**12/2018**	**12/2017**
Net banking income	2,096	1,930	1,628
General operating expenses*	(603)	(575)	(522)
Cost of risk	(177)	(145)	(44)
Share in net income (loss) of associates and joint ventures	21	15	15
Gain or loss on fixed assets**	(2)		
Income (loss) on exposure to inflation***	(8)	(10)	
PRE-TAX INCOME	**1,327**	**1,215**	**1,077**
CONSOLIDATED NET INCOME (parent company shareholders' share)	**903**	**858**	**721**

* *Including: a provision for business exemptions and amortization and impairment on tangible and intangible assets.*
** *Capital losses on the disposal of subsidiaries.*
*** *Restatement of the earnings of the Argentinean entities, now in hyperinflation accounting.*

Consolidated balance sheet *(in millions of euros)*	**12/2019**	**12/2018**	**12/2017**
Total net outstandings of which	49,817	45,956	42,994
Retail customer loans	24,733	23,340	21,609
Finance lease rentals	13,439	11,729	10,437
Dealer financing	11,645	10,887	10,948
Operating lease transactions net of depreciation and impairment	1,227	974	839
Other assets	7,036	6,464	5,876
Own equity (incl. net income for the year) of which	6,569	5,320	4,732
Equity	5,702	5,307	4,719
Subordinated debt	867	13	13
Bonds	18,825	18,903	17,885
Negotiable debt securities (CD, CP, BT, BMTN)	1,948	1,826	1,182
Securitization	3,243	2,780	2,272
Customer savings accounts - Ordinary accounts	13,003	12,120	11,470
Customer term deposit accounts	4,708	3,743	3,464
Banks, central banks and other lenders (including Schuldschein)	6,374	5,849	5,854
Other liabilities	3,410	2,853	2,850
BALANCE SHEET TOTAL	**58,080**	**53,394**	**49,709**

(1) Flit Technologies (including Yuso), Marcel, RCI Mobility and iCabbi were sold in December 2019 to Renault M.A.I. (Mobility As an Industry), an entity created by Groupe Renault in October 2019 to accelerate its development in new mobilities and foster strategic partnerships. The positive impact of this disposal for 2019 was €34.1 million.
(2) Net assets at year-end: total net outstandings at year-end + operating lease transactions net of depreciation and impairment.
(3) The Savings business in Brazil was launched in March 2019.
(4) ROE (Return on equity) is calculated by dividing net income for the period by average net equity (excluding Income for the period).
(5) Excluding the impact of start-ups, ROE was 17.6% in 2019 compared to 19.8% in 2018.
(6) Excluding the impact of deferred taxes totaling €47 million, ROE stood at 18.1% in 2018.
(7) Ratio including the interim profits net of provisional dividends, subject to regulator's approval in accordance with Article 26 § 2 of Regulation (EU) 575/2013.
(8) On the models for which RCI Banque has received in 2019 a draft decision letter following an ECB inspection of the internal models (TRIMIX / IMI), the negative impacts on the capital ratio are estimated to 1.20%, of which a portion results from temporary add-ons. Additional headwinds may also arise on models for which ECB's findings have not yet been received.

FINANCIAL POLICY

Over the course of 2019, the central banks announced more accommodating monetary policy measures than anticipated by the markets at the beginning of the year.

In the United States, the Federal Reserve reduced its key interest rates three times, thereby taking the Fed Funds target to between 1.50% and 1.75%.

The European Central Bank restarted its asset purchasing program, which it had ended in 2018, at a monthly pace of €20 billion. It also announced a new long-term refinancing operation (TLTRO III[1]). Furthermore, it reduced the rate on its deposit facility by 0.10% to -0.50% and introduced a two-tier system for remunerating excess reserve holdings with a view to reducing the share of deposits in the banking system carrying negative rates.

The Bank of England's base rate remained unchanged throughout the year at 0.75%.

The central bank's change in tone regarding monetary policies had an impact on investor perception of risk and drove the rise in the equity markets[2] and the tightening of credit spreads[3].

Eurozone rates continued to fall until early September, before a partial upturn towards the end of the year. Following a historic low in September of -0.54%, the 5-year swap rate ended the year at -0.10%, 30 bps lower than in December 2018.

RCI Banque issued the equivalent of €2.9 billion in senior public bond format. The group successively launched five and a half years rate issue for €750 million, a dual-tranche issue for €1.4 billion (€750 million on a fixed rate over four years, €650 million on a fixed rate over seven years), and €600 million at a fixed rate over three and a half years. At the same time, the company issued a five-year fixed rate CHF200 million bond, a transaction that enabled it to both diversify its investor base and fund assets in that currency.

In addition, RCI Banque issued a Tier 2 subordinated bond in the amount of €850 million. This 10-year contractual maturity bond can be redeemed after 5 years and strengthens the capital ratio.

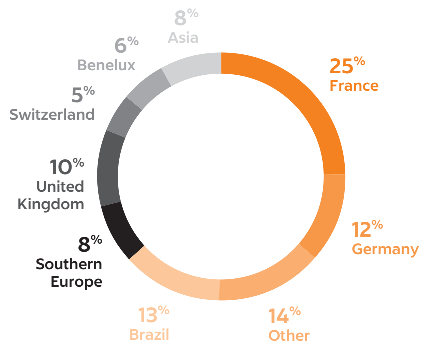
On the secured funding segment, RCI Banque issued a public securitization backed by car loans in Germany for €975.7 million, split between €950 million of senior securities and €25.7 million of subordinated securities.

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

Retail customer deposits have increased by €1.8 billion since December 2018 and totaled €17.7 billion at 31 December 2019, representing 35% of net assets at the end of December.

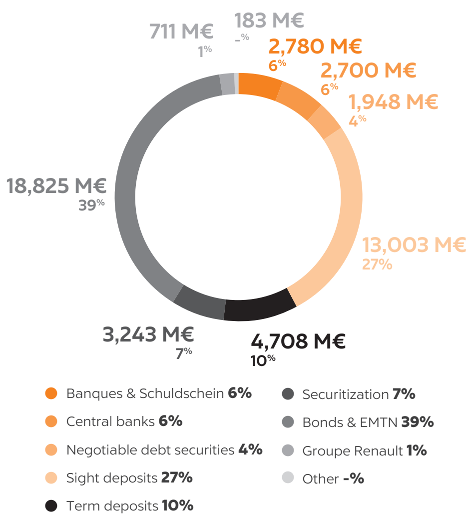
GEOGRAPHICAL BREAKDOWN OF NEW RESOURCES WITH A MATURITY OF ONE YEAR OR MORE (EXCLUDING DEPOSITS AND TLTRO)

as at 31/12/2019



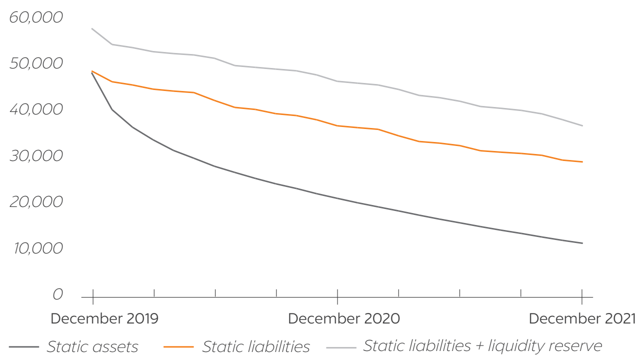
STRUCTURE OF TOTAL DEBT

as at 31/12/2019



STATIC LIQUIDITY POSITION[4]

(in million euros)



Static assets : Assets runoff over time assuming no renewal.
Static liabilities : Liabilities runoff over time assuming no renewal.

(4) Scope: Europe.

(1) Targeted Longer-Term Refinancing Operations.

(2) Euro Stoxx 50 +24%.

(3) Iboxx Eur Non Financials -39 bps.

FINANCIAL POLICY

These resources, to which should be added, based on the European scope, to €4.5 billion of undrawn committed credit lines, €2.4 billion of assets eligible as collateral in ECB monetary policy operations, €2.2 billion in highly quality liquid assets (HQLA) as well as financial assets amounting to €0.5 billion, enable RCI Banque to maintain the financing granted to its customers over nearly 12 months without access to external 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 by RCI Banque 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.

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

At 31 December 2019, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

- -€1.0 m in EUR;
- -€0.5 m in BRL;
- +€0.5 m in KRW;
- +€0.9 m in GBP;
- +€0.2 m in PLN;
- -€0.2 m in CZK;
- -€0.8 m in CHF.

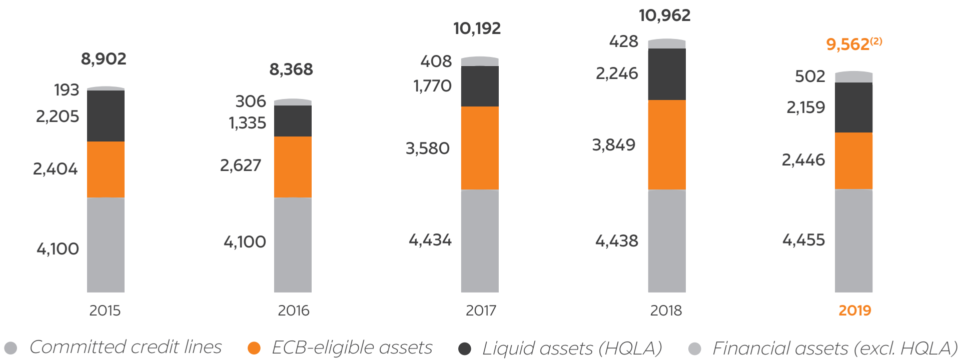
The absolute sensitivity values in each currency totaled €4.5m.

The groupe RCI Banque's consolidated(1) foreign exchange position totaled €6.3 million.

(1) Foreign exchange position excluding holdings in the share capital of subsidiaries.

LIQUIDITY RESERVE(1)

(in millions euros)



(1) Scope: Europe.
(2) The liquidity reserve is calibrated to achieve the internal business continuity target in a stress scenario. Lower level in December 2019 reflects a lower level of bond redemptions for the following year (bond repayments respectively €1.8 billion in 2020 and €2.8 billion in 2019).

RCI Banque group's programs and issuances

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

Issuer	Instrument	Market	Amount	S & P	Moody's	Other
RCI Banque S.A.	Euro CP Program	euro	€2,000 m	**A-2** (negative outlook)	**P2**	**R&I: A-1** (stable outlook)
RCI Banque S.A.	Euro MTN Program	euro	€23,000 m	**BBB** (negative outlook)	**Baa1** (stable outlook)	**R&I: A-** (stable outlook)
RCI Banque S.A.	NEU CP(1) Program	French	€4,500 m	**A-2** (negative outlook)	**P2**	
RCI Banque S.A.	NEU MTN(2) Program	French	€2,000 m	**BBB** (negative outlook)	**Baa1** (stable outlook)	
Diac S.A.	NEU CP(1) Program	French	€1,000 m	**A-2** (negative outlook)		
Diac S.A.	NEU MTN(2) Program	French	€1,500 m	**BBB** (negative outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000 m		**Ba2.ar** (under revision)	Fix Scr: **AA (arg)** (negative outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,610 bn(3)			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,303 m(3)		**Aaa.br** (stable outlook)	
RCI Finance Maroc	BSF Program	Morrocan	MAD2,500 m			
RCI Leasing Polska	Bond Program	Polish	PLN500 m			
RCI Colombia S.A. Compañia de Financiamiento	CDT: Certificado de Depósito a Término	Colombian	COP630 bn(3)	**AAA.co**		

(1) Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.
(2) Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.
(3) Outstandings.

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AUDITORS' REPORT

31 December 2019

KPMG S.A. ERNST & YOUNG Audit

RCI Banque

For the year ended 31st December 2019

Statutory auditor's report on the consolidated financial statements

KPMG S.A.
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S.A. au capital de € 5 497 100
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Membre de la compagnie
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344 366 315 R.C.S. Nanterre

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

RCI Banque

For the year ended 31st December 2019

Statutory auditors' report on the consolidated financial statements

To annual general meeting of RCI Banque,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of RCI Banque for the year ended 31st December 2019.

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 31st December 2019 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 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 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Emphasis of matter

We draw your attention to the following matter described in Note 3.A to the consolidated financial statements relating to changes in accounting policy which describes the application of IFRS 16 “Lease” as of 1st January 2019. Our opinion is not modified in respect of this matter.

Justification of Assessment – 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.

Calculation of expected credit losses on retail and wholesale receivables in accordance with the accounting standard IFRS 9

Risk identified	Our audit response
The Group RCI Banque recognizes impairment losses to cover the risk of non-recovery of loans granted to customers and car dealers. Since January 1st, 2018, RCI Banque has applied IFRS9 "Financial Instruments", which defines in particular a new methodology for estimating provisions based on expected credit losses on healthy outstandings (bucket 1), outstandings with a significant increase in risk since initial recognition (bucket 2) and outstandings delinquent / defaulted (bucket 3) and no longer just for proven credit risk. We consider the calculation of expected credit losses as a key audit matter due to the importance of retail and wholesale receivables in the bank’s balance sheet, the use of many parameters and assumptions in calculation models and the use of judgment in determining the models and assumptions used to estimate expected credit losses.	As part of our audit of RCI Banque’s consolidated financial statements, our review of the construction and implementation of models for calculating expected credit losses on the dealer network mainly consisted in: ► Examining the methodological principles followed for the constructions of the modems, in order to verify their accordance, for the significant aspects, with the principles of IFRS 9 ; ► Appreciating the established governance for any change of the parameters or key assumptions applied to these models ;

The expected credit losses are presented in the Note 7 to the consolidated financial statements and are of M€ 882 with receivables of M€ 52 691.

- Carrying out an assessment on: the key controls, the IT applications, the Retail and Wholesale credit portfolio accounting and split per bucket, the quality of the interface of the IT application which serves the calculation of the credit expected losses. Our audit teams were assisted by experts from our audit firms, specialized in the audit of information systems and credit risk models ;
- Retail Scope :
  - testing for a representative sample of retail credits contracts the accuracy of the parameters included which serve for the calculations of the "Probability of Default" and the "Loss Given Default" by tying them back to related contracts ;
- Wholesale Scope :
  - re-performing the « Expected Credit Losses » calculation for Germany, Brazil, Spain, France, Italy and United Kingdom as at 31st December 2019 ;
- challenging and evaluating the methodology used to determine the "forward-looking" impact, including the assumptions used to establish macroeconomics scenarios, to measure the weigthing of those scenarios and their incidences on risk parameters ;
- conducting analytical procedures on the evolution of the credit portfolio and related credit risk provisions ;
- appreciating the appropiateness of the information presented in paragrapher E and the Note 7 in the consolidated financial statements.

Specific verifications

As required by French laws and regulations, 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 22nd may 2014 for KPMG S.A. and on 27th june 1980 for ERNST & YOUNG Audit.

As at 31st December 2019, KPMG S.A. and ERNST & YOUNG Audit were in the 6th year and 40th year of total uninterrupted engagement.

Responsabilities 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 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' responsabilities 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 Audit Committee

We submit a report to the 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 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 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 Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on the 6th March 2020

The statutory auditors

French original signed by

KPMG S.A.	ERNST & YOUNG Audit
Valéry Foussé	Luc Valverde

CONSOLIDATED FINANCIAL STATEMENTS OF THE RCI BANQUE GROUP

31 December 2019

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	12/2019	12/2018
Cash and balances at central banks	2	1 527	2 040
Derivatives	3	177	123
Financial assets at fair value through other comprehensive income	4	1 364	902
Financial assets at fair value through profit or loss	4	105	166
Amounts receivable at amortised cost from credit institutions	5	1 279	1 033
Loans and advances at amortised cost to customers	6 et 7	50 582	46 587
Current tax assets	8	16	26
Deferred tax assets	8	171	145
Tax receivables other than on current income tax	8	245	208
Adjustment accounts & miscellaneous assets	8	1 069	953
Investments in associates and joint ventures	9	142	115
Operating lease transactions	6 et 7	1 227	974
Tangible and intangible non-current assets	10	92	39
Goodwill	11	84	83
TOTAL ASSETS		**58 080**	**53 394**

LIABILITIES AND EQUITY - In millions of euros	Notes	12/2019	12/2018
Central Banks	12.1	2 700	2 500
Derivatives	3	92	82
Amounts payable to credit institutions	12.2	2 780	2 431
Amounts payable to customers	12.3	18 605	16 781
Debt securities	12.4	24 016	23 509
Current tax liabilities	14	129	124
Deferred tax liabilities	14	588	472
Taxes payable other than on current income tax	14	33	24
Adjustment accounts & miscellaneous liabilities	14	1 895	1 543
Provisions	15	185	148
Insurance technical provisions	15	488	460
Subordinated debt - Liabilities	17	867	13
Equity		5 702	5 307
- Of which equity - owners of the parent		*5 649*	*5 262*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*4 271*	*3 923*
Unrealised or deferred gains and losses		*(339)*	*(333)*
Net income for the year		*903*	*858*
- Of which equity - non-controlling interests		*53*	*45*
TOTAL LIABILITIES & EQUITY		**58 080**	**53 394**

CONSOLIDATED INCOME STATEMENT

In millions of euros	**Notes**	**12/2019**	**12/2018**
Interest and similar income	25	2 196	2 095
Interest expenses and similar charges	26	(744)	(702)
Fees and commission income	27	605	545
Fees and commission expenses	27	(234)	(213)
Net gains (losses) on financial instruments at fair value through profit or loss	28	22	(31)
Income of other activities	29	1 028	977
Expense of other activities	29	(777)	(741)
NET BANKING INCOME		**2 096**	**1 930**
General operating expenses	30	(585)	(565)
Depreciation and impairment losses on tangible and intangible assets		(18)	(10)
GROSS OPERATING INCOME		**1 493**	**1 355**
Cost of risk	31	(177)	(145)
OPERATING INCOME		**1 316**	**1 210**
Share in net income (loss) of associates and joint ventures	9	21	15
Gains less losses on non-current assets		(2)	
Impact of Profit & Loss for Subisidiaries in Hyperinflation Context		(8)	(10)
PRE-TAX INCOME		**1 327**	**1 215**
Income tax	32	(392)	(333)
NET INCOME		**935**	**882**
Of which, non-controlling interests		32	24
Of which owners of the parent		903	858
Number of shares		1 000 000	1 000 000
Net Income per share (1) in euros		902,52	857,80
Diluted earnings per share in euros		902,52	857,80

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

2018 pre-tax income was impacted in the amount of -€29.1 million by mobility start-ups (current operations) and in the amount of +€20.8 million (current operations and disposal to Renault MAI) in 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	12/2019	12/2018
NET INCOME	**935**	**882**
Actuarial differences on post-employment benefits	(10)	2
Total of items that will not be reclassified subsequently to profit or loss	***(10)***	***2***
Unrealised P&L on cash flow hedge instruments	(14)	3
Exchange differences	15	(65)
Total of items that will be reclassified subsequently to profit or loss	***1***	***(62)***
Other comprehensive income	**(9)**	**(60)**
TOTAL COMPREHENSIVE INCOME	**926**	**822**
Of which Comprehensive income attributable to non-controlling interests	29	25
Of which Comprehensive income attributable to owners of the parent	897	797

CONSOLIDATED STATEMENT OF CHANGES 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 (Shareholders of the parent company)	**Equity** (Shareholders of the parent company)	Equity (Non-controlling interests)	**Total Consolidated equity**
Equity at 31 December 2017	**100**	**714**	**3 421**	**(251)**	**(21)**	**721**	**4 684**	**35**	**4 719**
Appropriation of net income of previous year			721			(721)			
Restatement of Equity opening amount			(82)				(82)	(7)	(89)
Equity at 1 January 2018	**100**	**714**	**4 060**	**(251)**	**(21)**		**4 602**	**28**	**4 630**
Change in value of financial instruments recognized in equity					(1)		(1)	4	3
Actuarial differences on defined-benefit pension plans					2		2		2
Exchange differences				(62)			(62)	(3)	(65)
Net income for the year (before appropriation)						858	858	24	882
Total comprehensive income for the period				***(62)***	***1***	***858***	***797***	***25***	***822***
Effect of acquisitions, disposals and others			9				9	11	20
Dividend for the year			(150)				(150)	(13)	(163)
Repurchase commitment of non-controlling interests			4				4	(6)	(2)
Equity at 31 December 2018	**100**	**714**	**3 923**	**(313)**	**(20)**	**858**	**5 262**	**45**	**5 307**
Appropriation of net income of previous year			858			(858)			
Equity at 1 January 2019	**100**	**714**	**4 781**	**(313)**	**(20)**		**5 262**	**45**	**5 307**
Change in value of financial instruments recognized in equity					(10)		(10)	(4)	(14)
Actuarial differences on post-employment benefits					(10)		(10)		(10)
Exchange differences				14			14	1	15
Net income for the year (before appropriation)						903	903	32	935
Total comprehensive income for the period				***14***	***(20)***	***903***	***897***	***29***	***926***
Effect of acquisitions, disposals and other			(2)				(2)	(1)	(3)
Dividend for the year (5)			(500)				(500)	(11)	(511)
Repurchase commitment of non-controlling interests			(8)				(8)	(9)	(17)
Equity at 31 December 2019	**100**	**714**	**4 271**	**(299)**	**(40)**	**903**	**5 649**	**53**	**5 702**

(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 2019 relates primarily to Argentina, Brazil, South Korea, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco. At 31 December 2018, it related primarily to Argentina, Brazil, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for -€18m and IAS 19 actuarial gains and losses for -€22m at end-December 2019.

(5) Payment to the shareholder Renault of the balance of the dividend 2018 earnings for €50M and an interim dividend of €450M on 2019 earnings by deduction from equity – owners of the parent.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	12/2019	12/2018
Net income attributable to owners of the parent company	**903**	**858**
Depreciation and amortization of tangible and intangible non-current assets	17	9
Net allowance for impairment and provisions	92	158
Share in net (income) loss of associates and joint ventures	(21)	(15)
Deferred tax (income) / expense	98	50
Net loss / gain from investing activities	7	4
Net income attributable to non-controlling interests	32	24
Other (gains/losses on derivatives at fair value through profit and loss)	30	(12)
Cash flow	**1 158**	**1 076**
Other movements (accrued receivables and payables)	53	(222)
Total non-monetary items included in net income and other adjustments	***308***	***(3)***
Cash flows on transactions with credit institutions	557	337
- Inflows / outflows in amounts receivable from credit institutions	*(52)*	*100*
- Inflows / outflows in amounts payable to credit institutions	*609*	*237*
Cash flows on transactions with customers	(2 554)	(2 957)
- Inflows / outflows in amounts receivable from customers	*(4 210)*	*(3 963)*
- Inflows / outflows in amounts payable to customers	*1 656*	*1 006*
Cash flows on other transactions affecting financial assets and liabilities	105	2 833
- Inflows / outflows related to AFS securities and similar	*(432)*	*228*
- Inflows / outflows related to debt securities	*406*	*2 355*
- Inflows / outflows related to collections	*131*	*250*
Cash flows on other transactions affecting non-financial assets and liabilities	(38)	
Net change in assets and liabilities resulting from operating activities	**(1 930)**	**213**
Net cash generated by operating activities (A)	**(719)**	**1 068**
Flows related to financial assets and investments	81	(69)
Flows related to tangible and intangible non-current assets	(14)	(19)
Net cash from / (used by) investing activities (B)	**67**	**(88)**
Net cash from / (to) shareholders	339	(150)
- Outflows related to repayment of Equity instruments and subordinated borrowings	*850*	
- Dividends paid	*(511)*	*(163)*
- Inflows / outflows related to non-controlling interests		*13*
Net cash from / (used by) financing activities (C)	**339**	**(150)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalent	**(10)**	**(13)**
Change in cash and cash equivalents (A+B+C+D)	**(323)**	**817**
Cash and cash equivalents at beginning of year:	2 792	1 975
- Cash and balances at central banks	*2 018*	*1 303*
- Balances in sight accounts at credit institutions	*774*	*672*
Cash and cash equivalents at end of year:	2 469	2 792
- Cash and balances at central banks	*1 494*	*2 018*
- Credit balances in sight accounts with credit institutions	*1 110*	*916*
- Debit balances in sight accounts with credit institutions	*(135)*	*(142)*
Change in net cash (1)	**(323)**	**817**

(1)The rules for determining treasury and treasury equivalent cash flows are presented in §. 3.S

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. 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 consolidated accounts at 31 December 2019 were approved by the Board of Directors meeting on 5 February 2020 and will be put before the Annual General Meeting on 20 May 2020 for its approval.

Groupe RCI Banque consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors at its meeting of 5 February 2019 and by the annual general meeting of 22 May 2019. It was decided to pay shareholders a dividend of €200 million, or €200 per share. An interim dividend of €150 million was paid to the shareholder Renault in 2018. The balance of €50 million was paid in 2019.

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2019

- Brexit: Brexit: the exit of the United Kingdom from the European Union did not result in the recognition of provisions for liabilities and charges by groupe RCI Banque at 31 December 2019. To anticipate the consequences of Brexit, from 14 March 2019, all of the activities of the RCI Bank UK Branch were transferred to a new entity, RCI Services UK Limited, a credit institution, and a wholly owned subsidiary of RCI Holding.

- Full consolidation as of 31 October 2019 of RCI Brasil Serviços Participações Ltda, which is wholly owned. This entity's main activity is the sale of maintenance contracts.

- Hyperinflation: Argentina once again experienced hyperinflation in 2018. As groupe RCI Banque has subsidiaries there, its impact is thus included at end-December 2019 in the result under inflation exposure.

- Refinancing: RCI Banque made an issue on the bank subordinated debt market, in the callable Tier 2 format, in an amount of €850 million.

- New issues of Securitization Mutual Funds: on 29 May 2019 the FCT Cars Alliance Auto Loans Germany V 2019-1 issued senior debt securities in the amount of €950 million and subordinate debt securities in the amount of €25.7 million, rated AAA(sf)/Aaa(sf) and AA (high)(sf)/Aa2(sf) respectively by DBRS and Moody's.

- In December 2019, RCI Banque sold all its interests in the non-consolidated "mobility companies", namely iCabbi, Flit technologies, Class & co, Marcel and RCI Mobility, to Renault MAI.

The impact on profit of the disposal of mobility start-ups is presented in the table below:dessous :

In millions of euros	Notes	2019	2018
Profit or loss before tax		**1,326.8**	**1,215.3**
Charge to provisions for equity interests		-21.1	-29.1
Reversal of provision for equity interests (1)	28	55.2	
Charge to provisions for start-up loans		-31.0	
Reversal of provision for start-up loans		31.0	
Loan waiver-Marcel	31	-11.4	
Capital gains/losses on equities		-1.8	
Impact of disposal of mobility start-up (2)		***20.8***	***-29.1***
Pre-tax income excluding impact of disposal of start-ups (3)		**1,306.0**	**1,244.4**

(1) Shares in entities sold were subject to impairment of €5m in 2017, €29.1m in 2018 and €21.1m in 2019.

(2) The impact of mobility start-ups on pre-tax income was €20.8m in 2019 and -€29.1m in 2018.

(3) Excluding impact of start-ups, pre-tax income grew by €62m.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, groupe RCI Banque has prepared its consolidated financial statements for 2019 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) at 31 December 2019 and as adopted in the European Union by the statement closing date.

A) Changes in accounting policies

Groupe RCI Banque applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2019.

New regulations that must be applied at 1 January 2019	
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendment to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendment to IFRS 9	Prepayment Features with Negative Compensation
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement
Annual improvements to IFRS – 2015-2017 cycle	Miscellaneous provisions concerning: - amendments to IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements” entitled “Remeasurement of previously held interests”; - amendments to IAS 12 “Income Taxes” entitled “Accounting for income tax consequences of payments on financial instruments classified as equity”; - amendments to IAS 23 “Borrowing Costs” entitled “Borrowing costs eligible for capitalization”

Changes relating to the application of IFRS 23 and 16 are given below.

Other standards and amendments that must be applied from 1 January 2019 have no significant effect on the group’s financial statements.

IFRIC 23 « Uncertainty over Income Tax Treatments » :

The entry into force of IFRIC 23 “Uncertainty over Income Tax Treatments” did not result in the identification of situations calling into question the accounting positions taken in the financial statements closed on 31 December 2019. To assess the provisions for uncertain tax positions, the group uses an individual evaluation method generally based on the most probable amount.

IFRS 16 “Leases”:

IFRS 16 “Leases” was published in the Official Journal of the European Union on 9 November 2017. It was applied in the consolidated financial statements of groupe RCI Banque from 1 January 2019. The new standard replaces IAS 17 “Leases” and the related IFRIC and SIC interpretations. It removes the distinction previously made between operating leases and finance leases for lessees.

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 over the lease term and the obligation to make lease payments, initially measured at the present value of the lease payments payable over the lease term, is discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is to be used.

The changes resulting from the adoption of IFRS 16 have been applied retrospectively in the 2019 financial statements. The 2018 consolidated financial statements presented for comparison have not been restated for the application of IFRS 16, and are therefore identical to the financial statements published in 2018 prepared using the accounting principles then in force, as they resulted from IAS 17

Groupe RCI Banque only applies IFRS 16 to its material leases, namely property leases. It therefore elected to apply the following exemptions and simplification measures for the transition:

- exclusion of short-term leases (initial term equal to or less than 12 months) and those relating to low-value assets;
- exclusion of the initial direct costs arising from the measurement of the right-of-use asset during the transition;
- exclusion of moveable property leases insofar as they are not material.

The term of the lease corresponds to the non-cancellable period during which the lessee has the right to use the leased property, to which are added renewal options that the group is reasonably certain of exercising.

On the balance sheet at 1 January 2019, lease liabilities correspond to the present value of lease payments yet to be made, determined using the incremental borrowing rate at 31 December 2018 defined in accordance with the remaining term of the lease. For simplicity, the incremental borrowing rate, calculated by currency area, corresponds to the risk-free rate prevailing in the relevant area, plus the group's risk premium for the local currency. The weighted average incremental borrowing rate applied to lease liabilities as of 1 January 2019 was 2.35%.

Right-of-use assets were measured as of 1 January 2019 at an amount equal to the value of lease liabilities as of that date adjusted for any rents paid in advance or payable recognized in the statement of financial position relative to those leases as of 31 December 2018.

The explanation of the difference between the lease liability recognized on the date of first-time application, and the operating lease commitments presented in the Notes to the consolidated financial statements at 31 December 2018 in accordance with IAS 17, in thousands of euros, is as follows:

In thousands of euros	**01/2019**
Off-balance sheet commitments relating to operating leases at 31 December 2018	53,223
Exclusion due to low value (outside scope of IFRS 16 and term = < 12 months)	-3,620
Effect of discounting leases	-5,680
Effects related to deferrals of the effective date	4,813
Other effects (1)	6,544
Lease liabilities as of 1 January 2019	**55,279**

(1) This amount corresponds to a re-estimate of the non-cancellable period on United Kingdom real estate leases from 10 years to 14 years.

The leases capitalized under IFRS 16 are real estate leases as specified above. All such transactions are carried out in the normal course of our business.

The impacts of the first-time application of IFRS 16 on consolidated financial position items at 1 January 2019 can be summarized as follows:

In thousands of euros	**01/2019**
Right-of-use of leased assets (non-current asset)	**55,944**
Prepaid expenses (prepaid on lease liability)	665
Amortized cost: other debts on leased assets (Note 10)	**55,279**

The table of variation between opening and 31 December 2019 is as follows :

In thousands of euros	01/2019	increase	decrease	other	12/2019
Right-of-use of leased assets	**55,944**	2,329		-24	**58,249**
Gross value	55,944	2,329		-24	58,249
Amortization of the right-of-use		-7,876		-30	-7,906
Amortized cost: other debts on leased assets	**55,279**	**2,329**	**-4,916**	**-56**	**52,636**

As of 31 December 2019, the expenses relating to leases recognized in accordance with IFRS 16 were as follows:

In thousands of euros	12/2019
Interest expense on lease liabilities	-1,018
Amortization of the right-of-use	-7,876

Note that the amount of rent not capitalized under IFRS 16 is €8 million in the income statement.

The breakdown of future flows relating to lease liabilities by maturity is as follows:

Lease liabilities at 31 December 2019 (in thousands of euros)	<3 months	de 3 à 12 months	de 1 à 5 years	> 5 years
52,636	2,280	6,326	28,555	15,475

IFRS 17 “Insurance Contracts”:

In addition, the group is currently looking into the new 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 2022

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 2022. It replaces the current IFRS 4.

At this stage, the group is not planning to apply this standard early.

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.

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 identifiable assets acquired and liabilities assumed.

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 IFRS 9.

If the business combination generates negative goodwill, the relevant amount is immediately recognized in profit or loss.

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 value-in-use 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 in a total amount of €151 million at 31 December 2019, compared with €140 million at 31 December 2018. 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 initially applied the same accounting treatment as that applied to increases in its 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 n° 2017-02 of 14 June 2017 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.

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 F, 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 bankl counterparties, which is established on the basis of external ratings and each counterparty's level of capital,
- a "Customer" borrowers, different acceptance scoring systems are used; these vary by affiliate and by type of financing.

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,
- a 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

Under IFRS 9, it is no longer necessary for an operative event to occur to recognize depreciation as was the case under IAS 39 ("incurred loss"). So any financial instruments coming within the scope of the standard are allocated depreciation for expected losses from the outset (except for ones originating or acquired if there is an event of default):

- Originally, the instrument is allocated a loss in value representing the expected loss at 12 months (Bucket 1).
- In the case of significant deterioration in credit risk from the outset, the instrument is then allocated a loss in value representing expected credit losses for the full term.

Definition of Expected Credit Loss

IFRS 9 defines the ECL as the expectation of updated credit loss (in principal and interest). The expectation will form the amount of the provision allocated to a facility or portfolio.

To calculate the ECL, the standard requires the use of relevant (verified) and reasonably available internal and external information, in order to make estimates of expected/forward-looking loses, that includes past events, current conditions and forecasts of future events and economic conditions.

Generic ECL formula:

On the basis of the above components, the ECL calculation formula used by the RCI Banque group can be given in generic form as follows:

$$ECL_{Maturity} = \sum_{i=1\,mois}^{M\,mois} EAD_i * PD_i^9 * ELBE_0^9 * \frac{1}{(1+t)^{i/12}}$$

With:

- ✓ M = maturity
- ✓ EAD_i = expected exposure at the time of the start of default for the year in question (taking into account any early repayments)
- ✓ PD_i^9 = probability of default during the year in question
- ✓ $ELBE_0^9$ = best estimate of the loss in the event of default on the facility
- ✓ t = discount rate

Each of the parameters is individually calibrated.

Credit losses anticipated for the next 12 months are a portion of the credit losses expected over the full term, and represent cash-flow shortfalls for the full term that would occur in the event of a default in the 12 months following the date of the financial year-end (or a shorter period if the expected term of the financial instrument is less than 12 months), weighted by the probability of a default. Consequently, the 12-month EL is deduced from the above formula restricted to measuring parameters over the next 12 months.

So it would appear that, for contracts with a maturity of under 12 months, the provision is the same whether the transaction of classified as Bucket 1 or Bucket 2. For the RCI Banque group, it has in particular an impact on the Network perimeter as it mainly concerns short term finance.

Probability of default – PD:

The RCI group capitalizes on the Basel provisions to calculate its IFRS 9 parameters.

Best estimate of loss in the event of default – ELBE9 IFRS 9:

IFRS 9 does not include any specific mention of the period for monitoring and collecting historic data used for calculating LGD parameters. Consequently, it is possible, for the countries concerned, to use estimates of the LGD as determined in the prudential environment in the IRB approach as starting point (adjustments are made if necessary).

Update:

The standard states that expected losses must be updated on the date of the report at the actual interest rate (AIR) for the asset (or an approximate estimate of the rate determined at initial recognition.

Because of the option allowed by the standard and bearing in mind the generic structure of the RCI group's agreements, the AIR can be approximated as the rate for the agreement.

Forward-looking perspective:

IFRS 9 introduces into the credit risk-related expected loss (ECL) calculation the notion of forward looking. Through this notion, new requirements in terms of monitoring and measuring credit risk are introduced with the use of forward-looking data, in particular of macroeconomic type.

The incorporation of forward-looking data is not intended to determine a prudential margin on the amount of provisions. It mainly concerns taking account of the fact that past observations do not necessarily reflect future expectations and consequently adjustments are necessary to the amount of the provision determined on the basis of parameters calibrated exclusively on a historic basis. Such adjustments of the amount of the provision can be made either upwards or downwards and must be duly documented.

The RCI Bank & Services method is based on a multi-scenario (3 scenarios) approach. PDs and LGDs are determined for each scenario in order to calculate the expected losses for each of them.

Macroeconomic indicators (such as GDP and long-term rates) and sector-based data are used to attach a probability of occurrence to each scenario and thus get the final forward-looking amount.

Definition of default used at RCI Banque

The definition of the risk of default under IAS 39 is not affected by IFRS 9. RCI accordingly intends to retain its definitions of doubtful and compromised receivables when establishing its B3 bucketing.

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:

- immaterial 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 instalment 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, etc.

As a 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.

Note that the rebuttable presumption of significant deterioration if a loan is 90 days past due offered by IFRS 9 matches the current definition of default within groupe RCI Banque. 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.

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 groupe RCI Banque, 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 groupe RCI Banque'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.

Rules for writing off loans

The rules on write-offs are detailed in IFRS 9 §5.4.4: the gross book value of a financial asset is reduced when there is no reasonable expectation of the outstanding amount being repaid. RCI group subsidiaries must remove from the financial statements the amount due from the counterparty on an account in loss and resume the associated depreciation when the unrecoverable nature of receivables is confirmed and so at the latest when its rights as creditor are extinguished.

In particular, receivables become irrecoverable and thus removed from the accounts if they:

- have been abandoned through negotiation with the customer in particular as part of an insolvency plan;
- are time-barred;
- have been the subject of an unfavorable court ruling (negative result of legal proceedings or litigation);
- concern a customer that has disappeared.

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 » (IFRS 16) as lessor

In accordance with IFRS 16, groupe RCI Banque makes a distinction between finance leases and operating leases as lessor. The new standard does not imply any change for the lessor compared with the standard it supersedes, namely IAS 17.

The general principle that groupe RCI Banque uses to classify leases as one or the other is still 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 a groupe RCI Banque 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 groupe RCI Banque 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 Groupe Renault 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 groupe RCI Banque 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 2019, the RCI Banque group had provided €21,443m in new financing (including cards) compared with €20,970m at 31 December 2018.

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 2019, dealer financing net of impairment allowances amounted to €11,645m against €10,887m at 31 December 2018.

At 31 December 2019, €874m was finance directly granted to subsidiaries or branches of Groupe Renault against €791m at 31 December 2018.

At 31 December 2019, the dealer network had received, as business introducers, remuneration of €964m against €854m at 31 December 2018.

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 Groupe Renault 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 2019, this contribution amounted to €643m against €633m at 31 December 2018.

H) Recognition and measurement of the securities portfolio

RCI Banque's portfolio of securities is classified according to the financial asset categories specified in IFRS 9

Securities measured at fair value through P&L (FV P&L)

UCITSs and FCPRs (units in funds) are deemed non SPPI and so will be valued at fair value by result.

Shares in companies neither controlled nor under significant influence also come into this category and are valued by result.

The fair value of financial assets is determined as a priority by reference to the market price, or, which failing, on the basis of valuation methods not based on market data. These shares are no longer depreciated under IFRS 9.

Securities measured at fair value through OCI (FV OCI)

This category includes securities that pass the SPPI tests and in RCI Banque it concerns:

- 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. Depreciation on this type of share follows the models recommended by IFRS 9 according to the ECLs.

I) Tangible and intangible non-current assets (IAS16 / IAS36)

Tangible 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

Intangible assets are mainly software, amortized on a straight-line basis over three 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.

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.

To determine whether a country is in hyperinflation, the group refers to the list published by the AICPA *(American Institute of Certified Public Accountants) International Task Force*. Only Argentina, where RCI Banque has significant business, is on the list. The IFRS, IAS 29 "Financial information in hyperinflationist economies", requires revaluation of financial assets for the financial year in which hyperinflation appears. This requires restatements in individual accounts for the companies concerned so that uniform information is published. These individual restated financial statements are then incorporated into the group's consolidated accounts. As the currency is suffering from hyperinflation, the conversion rate is devaluing; restatements made in local accounts partially neutralize, in the consolidated accounts, the impacts of such devaluation. For Argentine companies, a revaluation has been made in the profit and loss account in accordance with the IPC indicator. The counterparty for revaluation restatement due to hyperinflation is given in the result as inflation exposure.

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

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.

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

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, 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

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. 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 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.

Interest rate hedging relationships

Groupe RCI Banque will apply the amendments to IAS 39, IFRS 9 and IFRS 7 relating to interest rate benchmark reform from 31 December 2019.

The early application of these amendments, namely the "IBOR reform and its effects on financial reporting – Phase 1", in the consolidated financial statements of groupe RCI Banque bears on interest rate hedging relationships: cash flow hedging or fair value hedging. During the period of uncertainty generated by the replacement of a benchmark rate, these amendments allow us notably:

- to consider that the uncertainty stemming from benchmark reform does not call into question the "highly probable" nature of cash flows covered within the framework of cash flow hedging relationships;

- and to ignore the uncertainty around new benchmarks when measuring the ineffectiveness of cash flow hedging or fair value relationships.

Among the variable rate benchmarks it uses in interest rate hedging relationships, the group has identified those that are subject to the current reform, namely EONIA, EURIBOR, LIBOR GBP and LIBOR CHF.

- Groupe RCI Banque has documented a cash flow hedging relationship including EONIA in a nominal amount of €100 million. However, this hedging relationship matures prior to December 2021, the scheduled date of the discontinuation of the listing. The group therefore considers that there is no uncertainty concerning this benchmark.
- ESMA (European Security and Market Authority) has validated compliance of the new EURIBOR determination methodology with the Benchmark Regulation. As such, the RCI group considers that there is no uncertainty as to the future of this benchmark. Groupe RCI Banque has qualified interest rate swaps indexed on EURIBOR in cash flow hedging relationships in the amount of €6,420 million and in fair value hedging relationships in the amount of €7,475 million.
- The RCI group considers that the amendment applies to interest rate hedging relationships involving LIBOR GBP and LIBOR CHF, the method and date of replacement of these benchmarks as part of interest rate benchmark reform not yet being fully defined. As of 31 December 2019, groupe RCI Banque qualified interest rate swaps in fair value relationships in the amount of CHF300 million (variable rate indexed on LIBOR CHF) and £100 million (variable rate indexed on LIBOR GBP) and in cash flow relationships in the amount of £140 million (variable rate indexed on LIBOR GBP).

The application of these amendments has no impact on the financial statements, but allows the interest rate hedging relationships documented by the group to be maintained at 31 December 2019.

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 estimate, net of outstanding recoveries, of the cost of all claims reported but not yet settled at the closing date. Outstanding claim reserve 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 estimates 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 estimates 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”.

S) Cash flow statement

The cash flow statement is presented on the basis of the indirect method model. The operating activities are representative of the RCI group's income-generating activities. Tax flows are presented with operating activities in full.

Investing activities represent cash flows for the acquisition and disposal of interests in consolidated and non-consolidated companies, and non-current tangible and intangible assets.

Financing activities result from changes related to transactions bearing on the financial structure of equity and long-term borrowings.

Net cash includes cash, receivables and debts with central banks, as well as accounts (assets and liabilities) and sight loans with credit institutions.

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. In addition, the group refinances itself on capital markets in multiple currencies (EUR, CHF, BRL, KRW, MAD, etc.), both to finance European assets and to support development 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 and ECB 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 Finance 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 Finance Committee and are used by sales subsidiaries to construct their pricing.

- **Stress scenarios:** Every month, the Finance 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 average duration of this securities portfolio was about 6 months.

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

Over the course of 2019, the major central banks announced more accommodating monetary policy measures than anticipated by the markets at the beginningof the year.

In the United States, the Federal Reserve reduced its key interest rates three times, thereby taking the Fed Funds target to between 1.50% and 1.75%.

The European Central Bank restarted its asset purchasing program, which it had ended in 2018, at a monthly pace of €20 billion. It also announced a new long-term refinancing operation (TLTRO III)[1]. Furthermore, it reduced the rate on its deposit facility by 0.10% to -0.50% and introduced a two-tier system for remunerating excess reserve requirements with a view to reducing the share of deposits in the banking system carrying negative rates.

The Bank of England’s base rate remained unchanged throughout the year at 0.75%.

[1] Targeted Longer-Term Refinancing Operations

The central banks' change in tone regarding monetary policies had an impact on investor perception of risk and drove the rise in the equity markets[2] and the tightening of credit spreads[3].

Eurozone rates fell steadily until early September, before a partial upturn towards the end of the year. Following a historic low in September of -0.54%, the 5-year swap rate ended the year at -0.10%, 30 bps lower than in December 2018.

5. REFINANCING

RCI Banque issued the equivalent of €2.9 billion on the public bond market in senior format. The group successively launched a fixed rate issue of €750 million over five and a half years, a dual-tranche issue for €1.4 billion (€750 million at a fixed rate over four years, €650 million at a fixed rate over seven years), and €600 million at a fixed rate over three and a half years. At the same time, the company issued a 5-year fixed rate CHF200 million bond, a transaction that enabled it to both diversify its investor base and fund assets in that currency.

Furthermore, RCI Banque completed a Tier 2 subordinated debt issue in the amount of €850 million. This issue, with a contractual duration of ten years, can be redeemed after five years and will improve the solvency ratio.

On the secured refinance segment, RCI Banque placed a public securitization backed by automobile loans in Germany for €975.7M split between €950M of senior debt securities and €25.7M€ of subordinate securities.

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

Retail customer deposits have increased by €1.8 billion since December 2018 and totaled €17.7 billion at 31 December 2019, representing 35% of net assets at end-December.

These resources, to which should be added, based on the European scope, €4.5 billion in undrawn confirmed credit lines, €2.5 billion in assets eligible as collateral in ECB monetary policy operations, €2.2 billion in High Quality Liquid Assets (HQLA) and €0.5 billion in financial assets, enable RCI Banque to maintain the financing granted to its customers for almost 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).

At 31 December 2019, the ratios calculated do not reveal any non-compliance with regulatory requirements.

[2] Euro Stoxx 50 +24%
[3] Iboxx Eur Non Financials -38.75bp

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 12/2019
Average performing loan outstandings	36 185	10 231		46 416
Net banking income	1 628	252	216	2 096
Gross operating income	1 185	193	115	1 493
Operating income	1 009	202	105	1 316
Pre-tax income	1 023	202	102	1 327

In millions of euros	Customer	Dealer financing	Other	Total 12/2018
Average performing loan outstandings	33 123	10 419		43 542
Net banking income	1 511	237	182	1 930
Gross operating income	1 094	178	83	1 355
Operating income	916	213	81	1 210
Pre-tax income	922	213	80	1 215

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 6 and 7: 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	Year	Net Loans outstandings at year-end (1)	of which Customers outstandings at year-end (1)	of which Dealers outstandings at year-end
Europe	2019	45 413	34 488	10 925
	2018	41 832	31 668	10 164
of which Germany	*2019*	*8 418*	*6 805*	*1 613*
	2018	*7 472*	*6 097*	*1 375*
of which Spain	*2019*	*4 797*	*3 762*	*1 035*
	2018	*4 464*	*3 637*	*827*
of which France	*2019*	*15 579*	*11 788*	*3 791*
	2018	*14 324*	*10 664*	*3 660*
of which Italy	*2019*	*6 297*	*4 946*	*1 351*
	2018	*5 821*	*4 450*	*1 371*
of which United-Kingdom	*2019*	*4 781*	*3 800*	*981*
	2018	*4 680*	*3 780*	*900*
of which other countries (2)	*2019*	*5 541*	*3 387*	*2 154*
	2018	*5 071*	*3 040*	*2 031*
Africa, Middle East, India and Pacific	2019	2 168	2 036	132
	2018	2 071	1 948	123
of which South Korea	*2019*	*1 605*	*1 588*	*17*
	2018	*1 578*	*1 565*	*13*
America	2019	3 145	2 572	573
	2018	2 769	2 182	587
of which Argentina	*2019*	*189*	*97*	*92*
	2018	*314*	*185*	*129*
of which Brazil	*2019*	*2 470*	*2 038*	*432*
	2018	*2 112*	*1 699*	*413*
of which Colombia	*2019*	*486*	*437*	*49*
	2018	*343*	*298*	*45*
Eurasia	2019	318	303	15
	2018	258	245	13
Total RCI Banque group	**2019**	**51 044**	**39 399**	**11 645**
	2018	**46 930**	**36 043**	**10 887**

(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 : Cash and balances at central banks

In millions of euros	12/2019	12/2018
Cash and balances at central banks	**1 494**	**2 018**
Cash and balances at Central Banks	1 494	2 018
Term deposits at Central Banks	**33**	**22**
Accrued interest	33	22
Total cash and balances at central banks	**1 527**	**2 040**

Note 3 : Derivatives

In millions of euros	12/2019		12/2018	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**3**	**16**	**21**	**14**
Interest-rate derivatives	1	5	2	4
Currency derivatives	2	11	19	10
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**174**	**76**	**102**	**68**
Interest-rate and currency derivatives: Fair value hedges	162	3	89	6
Interest-rate derivatives: Cash flow hedges	12	73	13	62
Total derivatives (*)	**177**	**92**	**123**	**82**
(*) Of which related parties			*2*	

These line items mainly include OTC derivatives contracted by the RCI Bank 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” and “Derivatives and hedge accounting”.

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 2017	**(9)**	**(4)**	**(5)**	
Changes in fair value recognized in equity	(6)			
Transfer to income statement	5			
Balance at 31 December 2018	**(10)**	**(3)**	**(7)**	
Changes in fair value recognized in equity	(19)			
Transfer to income statement	9			
Balance at 31 December 2019	**(20)**	**(3)**	**(17)**	

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 12/2019**	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	1 192			1 192	
Purchases	1 178			1 178	
Spot forex transactions					
Loans	111			111	
Borrowings	111			111	
Currency swaps					
Loans	113	103		216	
Borrowings	116	101		217	
Hedging of interest-rate risk					
Interest rate swaps					
Lender	6 969	10 603	2 000	19 572	
Borrower	6 969	10 603	2 000	19 572	

In millions of euros	**< 1 year**	**1 year to 5 years**	**> 5 years**	**Total 12/2018**	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	1 489			1 489	
Purchases	1 486			1 486	
Spot forex transactions					
Loans	116			116	
Borrowings	116			116	
Currency swaps					
Loans	297	80		377	*37*
Borrowings	290	80		370	*40*
Hedging of interest-rate risk					
Interest rate swaps					
Lender	6 825	10 738	2 000	19 563	
Borrower	6 825	10 738	2 000	19 563	

Note 4 : Financial assets

In millions of euros	12/2019	12/2018
Financial assets at fair value through other comprehensive income	**1 364**	**902**
Government debt securities and similar	1 066	617
Bonds and other fixed income securities	297	284
Interests in companies controlled but not consolidated	1	1
Financial assets at fair value through profit or loss	**105**	**166**
Variable income securities	22	16
Bonds and other fixed income securities	80	98
Interests in companies controlled but not consolidated	3	52
Total financial assets (*)	**1 469**	**1 068**
(*) Of which related parties	*4*	*53*

In December 2019, RCI Banque sold all its interests in the non-consolidated “mobility companies”, namely iCabbi, Flit technologies, Class & Co, Marcel and RCI Mobility, to Renault MAI.

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	12/2019	12/2018
Credit balances in sight accounts at credit institutions	**1 110**	**916**
Ordinary accounts in debit	1 073	881
Overnight loans	37	35
Term deposits at credit institutions	**169**	**117**
Term loans in bucket 1	109	37
Term loans in bucket 2	60	80
Total amounts receivable from credit institutions (*)	**1 279**	**1 033**
(*) Of which related parties	*60*	*80*

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* - Securitisation Mutual Funds) contribute in part to the funds' credit enhancement. They totaled €540m at year-end 2019 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 6 : Customer finance transactions and similar

In millions of euros	12/2019	12/2018
Loans and advances to customers	**50 582**	**46 587**
Customer finance transactions	37 143	34 858
Finance lease transactions	13 439	11 729
Operating lease transactions	**1 227**	**974**
Total customer finance transactions and similar	**51 809**	**47 561**

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 €47m at 31 December 2019.

6.1 - Customer finance transactions

In millions of euros	12/2019	12/2018
Loans and advances to customers	**37 243**	**35 047**
Healthy factoring	502	541
Factoring with a significant increase in credit risk since initial recognition	44	37
Other healthy commercial receivables	3	2
Other healthy customer credit	33 598	31 269
Other customer credit with a significant increase in credit risk since initial recognition	2 005	2 273
Healthy ordinary accounts in debit	617	484
Defaulted receivables	474	441
Interest receivable on customer loans and advances	**91**	**83**
Other non-defaulted customer credit	46	42
Non-defaulted ordinary accounts	41	37
Defaulted receivables	4	4
Total of items included in amortized cost - Customer loans and advances	**447**	**323**
Staggered handling charges and sundry expenses - Received from customers	(61)	(52)
Staggered contributions to sales incentives by manufacturer or dealers	(542)	(549)
Staggered fees paid for referral of business	1 050	924
Impairment on loans and advances to customers	**(638)**	**(595)**
Impairment on healthy receivables	(119)	(125)
Impairment on receivables with a significant increase in credit risk since initial recognition	(120)	(113)
Impairment on defaulted receivables	(320)	(281)
Impairment on residual value	(79)	(76)
Total customer finance transactions, net	**37 143**	**34 858**

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 borne and not borne).

6.2 - Finance lease transactions

In millions of euros	12/2019	12/2018
Finance lease transactions	**13 605**	**11 917**
Other healthy customer credit	12 140	10 292
Other customer credit with a significant increase in credit risk since initial recognition	1 277	1 455
Defaulted receivables	188	170
Accrued interest on finance lease transactions	**14**	**10**
Other non-defaulted customer credit	13	9
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	**24**	**(16)**
Staggered handling charges	68	(4)
Staggered contributions to sales incentives by manufacturer or dealers	(337)	(234)
Staggered fees paid for referral of business	293	222
Impairment on finance leases	**(204)**	**(182)**
Impairment on healthy receivables	(33)	(39)
Impairment on receivables with a significant increase in credit risk since initial recognition	(55)	(50)
Impairment on defaulted receivables	(115)	(92)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**13 439**	**11 729**

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 year to 5 years	> 5 years	Total 12/2019
Finance leases - net investment	5 889	7 704	50	13 643
Finance leases - future interest receivable	403	389	4	796
Finance leases - gross investment	**6 292**	**8 093**	**54**	**14 439**
Amount of residual value guaranteed to RCI Banque group	3 514	4 372		7 886
Of which amount guaranteed by related parties	*2 292*	*2 138*		*4 430*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	4 000	5 955	54	10 009

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2018
Finance leases - net investment	4 938	6 962	11	11 911
Finance leases - future interest receivable	397	390		787
Finance leases - gross investment	**5 335**	**7 352**	**11**	**12 698**
Amount of residual value guaranteed to RCI Banque group	2 841	3 857		6 698
Of which amount guaranteed by related parties	*1 845*	*1 864*		*3 709*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	3 490	5 488	11	8 989

6.3 - Operating lease transactions

In millions of euros	12/2019	12/2018
Fixed asset net value on operating lease transactions	**1 251**	**991**
Gross value of tangible assets	1 619	1 284
Depreciation of tangible assets	(368)	(293)
Receivables on operating lease transactions	**16**	**12**
Non-defaulted receivables	11	7
Defaulted receivables	8	7
Income and charges to be staggered	(3)	(2)
Impairment on operating leases	**(40)**	**(29)**
Impairment on non-defaulted receivables	(1)	(1)
Impairment on defaulted receivables	(6)	(5)
Impairment on residual value	(33)	(23)
Total operating lease transactions, net (*)	**1 227**	**974**
(*) Of which related parties	*(1)*	*(1)*

The amount of minimum future payments receivable under operating non-cancelable lease contracts is a as follows

In millions of euros	12/2019	12/2018
0-1 year	225	146
1-5 years	194	201
+5 years	39	9
Total	**458**	**356**

6.4 - Maximum exposure to credit risk and indication concerning the quality of receivables deemed non impaired by the RCI Banque group

At 31 December 2019, the RCI Banque group’s maximum aggregate exposure to credit risk stood at €59,549m against €54,645m at 31 December 2018. 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 23 Commitments received).

Amount of receivables due

In millions of euros	12/2019	of which non-defaulted (1)	12/2018	of which non-defaulted (1)
Between 0 and 90 days	713	503	593	409
Between 90 and 180 days	70		59	
Between 180 days and 1 year	44		37	
More than one year	50		74	
Receivables due	**877**	**503**	**763**	**409**

(1) Only includes sales financing receivables non classed in stage 3.

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 2019, guarantees held on doubtful or delinquent receivables totaled €821m, against €678m at 31 December 2018.

6.5 - Residual values of risk carried by RCI Banque

The total risk on residual values carried by the RCI Banque group amounted to €1,935m at 31 December 2019 against €1,944m at 31 December 2018. It was covered by provisions totaling €59m for the residual value risk borne provision at 31 December 2019 (essentially affecting the United Kingdom).

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 12/2019
Gross value	**40 178**	**11 747**	**766**	**52 691**
Healthy receivables	36 548	11 372	763	48 683
Receivables with a significant increase in credit risk since initial recognition	3 034	299		3 333
Defaulted receivables	596	76	3	675
% of defaulted receivables	*1,48%*	*0,65%*	*0,39%*	*1,28%*
Impairment allowance	**(779)**	**(102)**	**(1)**	**(882)**
Impairment on healthy receivables	(207)	(58)	(1)	(266)
Impairment on receivables with a significant increase in credit risk since initi	(165)	(10)		(175)
Impairment on defaulted receivables	(407)	(34)		(441)
Net value (*)	**39 399**	**11 645**	**765**	**51 809**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals)	*24*	*874*	*589*	*1 487*

In millions of euros	Customer	Dealer financing	Other	Total 12/2018
Gross value	**36 736**	**10 998**	**633**	**48 367**
Healthy receivables	32 873	10 470	631	43 974
Receivables with a significant increase in credit risk since initial recognition	3 325	445		3 770
Defaulted receivables	538	83	2	623
% of defaulted receivables	*1,46%*	*0,75%*	*0,32%*	*1,29%*
Impairment allowance	**(693)**	**(111)**	**(2)**	**(806)**
Impairment on healthy receivables	(194)	(70)	(1)	(265)
Impairment on receivables with a significant increase in credit risk since initi	(153)	(10)		(163)
Impairment on defaulted receivables	(346)	(31)	(1)	(378)
Net value (*)	**36 043**	**10 887**	**631**	**47 561**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals)	*19*	*791*	*436*	*1 246*

The “Other” category mainly includes buyer and ordinary accounts with dealers and the Groupe Renault.

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	12/2019	12/2018
Tax receivables	**432**	**379**
Current tax assets	16	26
Deferred tax assets	171	145
Tax receivables other than on current income tax	245	208
Adjustment accounts and other assets	**1 069**	**953**
Other sundry debtors	451	377
Adjustment accounts - Assets	59	55
Other assets	1	
Items received on collections	373	319
Reinsurer part in technical provisions	185	202
Total adjustment accounts – Assets and other assets (*)	**1 501**	**1 332**
(*) Of which related parties	*259*	*225*

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	12/2019	12/2018
Reinsurer part in technical provisions at the beginning of period	202	197
Change of the technical provisions chargeable to reinsurers	(5)	16
Claims recovered from reinsurers	(12)	(11)
Reinsurer part in technical provisions at the end of period	**185**	**202**

Note 9 : Investments in associates and joint ventures

In millions of euros	12/2019		12/2018	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	25	6	21	4
RN SF B.V.	84	13	63	9
Nissan Renault Financial Services India Private Limited	33	2	31	2
Total interests in associates	**142**	**21**	**115**	**15**

Note 10 : Tangible and intangible non-current assets

In millions of euros	12/2019	12/2018
Intangible assets: net	**6**	**7**
Gross value	39	36
Accumulated amortization and impairment	(33)	(29)
Property, plant and equipment: net	**86**	**32**
Gross value	180	113
Accumulated depreciation and impairment	(94)	(81)
Total tangible and intangible non-current assets	**92**	**39**

Property, plant and equipment includes real estate leases activated under IFRS 16 (see section A "Changes in accounting policies").

Note 11 : Goodwill

In millions of euros	12/2019	12/2018
Argentina	1	1
United Kingdom	36	35
Germany	12	12
Italy	9	9
South Korea	20	20
Czech Republic	6	6
Total goodwill from acquisitions by country	**84**	**83**

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 2019.

Note 12 : Liabilities to credit institutions and customers & debt securities

12.1 - Central Banks

In millions of euros	12/2019	12/2018
Term borrowings	2 700	2 500
Total Central Banks	**2 700**	**2 500**

At 31 December 2019, the book value of the collateral presented to the Bank of France (3G) amounted to €5,882m, that means €5,325m in securities issued by securitization vehicles, €151m in eligible bond securities, and €406m in private accounts receivable.

12.2 - Amounts payable to credit institutions

In millions of euros	12/2019	12/2018
Sight accounts payable to credit institutions	**135**	**142**
Ordinary accounts	11	21
Overnight borrowings	7	
Other amounts owed	117	121
Term accounts payable to credit institutions	**2 645**	**2 289**
Term borrowings	2 555	2 217
Accrued interest	90	72
Total liabilities to credit institutions	**2 780**	**2 431**

Sight accounts are included in the "Cash and cash equivalents" line item in the cash flow statement.

12.3 - Amounts payable to customers

In millions of euros	12/2019	12/2018
Amounts payable to customers	**18 512**	**16 686**
Ordinary accounts in credit	124	134
Term accounts in credit	700	710
Ordinary saving accounts	12 986	12 103
Term deposits (retail)	4 702	3 739
Other amounts payable to customers and accrued interest	**93**	**95**
Other amounts payable to customers	61	67
Accrued interest on ordinary accounts in credit	9	7
Accrued interest on ordinary saving accounts	17	17
Accrued interest on customers term accounts	6	4
Total amounts payable to customers (*)	**18 605**	**16 781**
(*) Of which related parties	*728*	*748*

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 in the United Kingdom in June 2015 and in Brazil in March 2019, marketing both savings accounts and term deposit accounts.

12.4 - Debt securities

In millions of euros	12/2019	12/2018
Negotiable debt securities (1)	**1 948**	**1 826**
Certificates of deposit	1 681	1 659
Commercial paper and similar	29	84
French MTNs and similar	220	65
Accrued interest on negotiable debt securities	18	18
Other debt securities (2)	**3 243**	**2 780**
Other debt securities	3 242	2 778
Accrued interest on other debt securities	1	2
Bonds and similar	**18 825**	**18 903**
Bonds	18 699	18 804
Accrued interest on bonds	126	99
Total debt securities (*)	**24 016**	**23 509**
(*) Of which related parties	*78*	*95*

(1) Certificates of deposit, commercial paper and French MTNs are issued by RCI Banque S.A., Banco RCI Brasil S.A., RCI Colombia S.A Compania De Financiamiento 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. and Corretora de Seguros S.A), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization offerings.

12.5 - Breakdown of liabilities by valuation method

In millions of euros	12/2019	12/2018
Liabilities valued at amortized cost - Excluding fair value hedge	**39 427**	**37 864**
Central Banks	2 700	2 500
Amounts payable to credit institutions	2 780	2 431
Amounts payable to customers	18 605	16 781
Debt securities	15 342	16 152
Liabilities valued at amortized cost - Fair value hedge	**8 674**	**7 357**
Debt securities	8 674	7 357
Total financial debts	**48 101**	**45 221**

12.6 - Breakdown of financial liabilities by rate type before derivatives

In millions of euros	Variable	Fixed	12/2019
Central Banks		2 700	2 700
Amounts payable to credit institutions	1 006	1 774	2 780
Amounts payable to customers	11 169	7 436	18 605
Negotiable debt securities	674	1 274	1 948
Other debt securities	3 241	2	3 243
Bonds	5 016	13 809	18 825
Total financial liabilities by rate	**21 106**	**26 995**	**48 101**

In millions of euros	Variable	Fixed	12/2018
Central Banks		2 500	2 500
Amounts payable to credit institutions	1 105	1 326	2 431
Amounts payable to customers	13 065	3 716	16 781
Negotiable debt securities	430	1 396	1 826
Other debt securities	2 778	2	2 780
Bonds	6 672	12 231	18 903
Total financial liabilities by rate	**24 050**	**21 171**	**45 221**

12.7 - Breakdown of financial liabilities by remaining term to maturity

The breakdown of financial liabilities by maturity is shown in note 18.

Note 13 : Securitization

SECURITIZATION – Public issues								
Country	France	France	France	Italy	Germany	Germany	Germany	Germany
Originator	DIAC SA	DIAC SA	DIAC SA	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung
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	Receivables independant dealers	Auto loans to customers
Issuer	CARS Alliance Auto Loans France FCT Master	CARS Alliance Auto Loans France V 2018-1	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 V2016-1	Cars Alliance DFP Germany 2017	Cars Alliance Auto Loans Germany V 2019-1
Closing date	May 2012	April 2018	July 2013	July 2015	March 2014	May 2016	July 2017	May 2019
Legal maturity date	August 2030	October 2029	July 2028	December 2031	March 2031	May 2027	June 2026	August 2031
Initial purchase of receivables	715 M€	799M€	1 020 M€	1 234 M€	674 M€	822 M€	852 M€	1 107 M€
Credit enhancement as at the closing date	Cash reserve for 1% Over-collateralization of receivables 13.8%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1% Over-collateralization of receivables 12,5%	Cash reserve for 1% Over-collateralization of receivables 14.9%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1.5% Over-collateralization of receivables 20.75%	Cash reserve for 1% Over-collateralization of receivables 7.5%
Receivables purchased as of 31 December 2019	507 M€	651 M€	1 198 M€	1 540 M€	2 062 M€	189 M€	813 M€	1 073 M€
Notes in issue as at 31 December 2019 (including any units held by the RCI Banque group)	Class A Rating : AAA 440 M€	Class A Rating : AAA 581 M€	Class A Rating : AA 1 000 M€	Class A Rating : AA 1 357 M€	Class A Rating : AAA 1 813 M€	Class A Rating : AAA 97 M€	Class A Rating : AAA 675 M€	Class A Rating : AAA 950 M€
		Class B Rating : AA 23M€				Class B Rating : AA 23 M€		Class B Rating : AA 26 M€
	Class B Non rated 71 M€	Class C Non rated 38M€		Class J Non rated 238M€	Class B Non rated 158 M€	Class C Non rated 38 M€		Class C Non rated 51 M€
Period	Revolving	Amortizing	Revolving	Revolving	Revolving	Amortizing	Revolving	Revolving
Transaction's nature	Retained	Market	Retained	Retained	Retained	Market	Retained	Market

In 2019, the RCI Banque group carried one 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, operations were secured by banks or conduits. As these issues are private, their terms and conditions are not disclosed in the above table.

At 31 December 2019, the amount of financing obtained through securitization by conduit totaled €1,543m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €1,700m.

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 Decmber 2019, the amount of the sales financing receivables thus maintained on the balance sheet totaled €10,508m (€11,010m at 31 December 2018), as follows:

- Securitization transactions placed on the market: €1,913m

- Retained securitization transactions: €6,121m

- Private securitization transactions: €2,473m

The fair value of these receivables is €10,504m at 31 December 2019.

Liabilities of €3,243m have been booked under "Other debt securities" corresponding to the securities issued during securitization transactions. The fair value of these liabilities is €3,264m at 31 December 2019.

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 14 : Adjustment accounts & miscellaneous liabilities

In millions of euros	12/2019	12/2018
Taxes payable	**750**	**620**
Current tax liabilities	129	124
Deferred tax liabilities	588	472
Taxes payable other than on current income tax	33	24
Adjustment accounts and other amounts payable	**1 895**	**1 543**
Social security and employee-related liabilities	57	53
Other sundry creditors	916	679
Adjustment accounts - liabilities	562	461
Accrued interest on other sundry creditors	354	342
Collection accounts	6	8
Total adjustment accounts - Liabilities and other liabilities (*)	**2 645**	**2 163**
(*) Of which related parties	*145*	*78*

Deferred tax assets are analyzed in note 32.

The item other sundry creditors includes debts on leased assets activated under IFRS 16 (see section 3.3.1 "Changes in accounting policies"). In addition, 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 15 : Provisions

In millions of euros	12/2018	Charge	Reversals		Other (*)	12/2019
			Used	Not Used		
Provisions on banking operations	**496**	**321**	**(33)**	**(257)**	**(2)**	**525**
Provisions for signature commitments (**)	5	8		(7)		6
Provisions for litigation risks	10	4		(3)	(2)	9
Insurance technical provisions	460	301	(32)	(241)		488
Other provisions	21	8	(1)	(6)		22
Provisions on non-banking operations	**112**	**36**	**(9)**	**(4)**	**13**	**148**
Provisions for pensions liabilities and related	49	5	(4)		13	63
Provisions for restructuring	11	4	(1)			14
Provisions for tax and litigation risks	48	26	(4)	(2)	(1)	67
Other	4	1		(2)	1	4
Total provisions	**608**	**357**	**(42)**	**(261)**	**11**	**673**

(*) Other = Reclassification, currency translation effects, changes in scope of consolidation

(**) Provisions for signature commitments = Mainly financing commitments

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.

The group's companies are periodically 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 €488m at end-December 2019.

Provisions for restructuring are for the work exemption plan, a career development scheme funded by the company.

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €347k at end-December 2019 for unfair administration/processing fees and €5,220K relating to provisions for risks concerning the customer's right to rescind the contract (Joker credit). The remaining provisions relate to administration/processing fees billed to business customers.

On 9 January 2019, the Italian Competition Authority ("Autorità Garante della Concorrenza e del Mercato") imposed a fine on RCI Banque of €125 million, Renault SA being jointly liable for payment of the fine. The group is disputing the grounds for the fine and is going to appeal the decision. We consider it highly probable that the decision will be overturned or revised on the grounds before the court. Due to a large number of variables affecting any penalty, it is not possible to reliably quantify the amount that may have to be paid on conclusion of the case.

At the end of December 2019, no provisions had thus been made for the above.

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	12/2019	12/2018
France	41	34
Rest of world	22	15
Total provisions	**63**	**49**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2019	12/2018
Retirement age	67 years	67 years
Salary increases	2,06%	1,80%
Financial discount rate	0,68%	1,95%
Starting rate	6,21%	5,19%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Average duration	23 years	25 years	23 years	20 years	18 years	22 years
Rate of wage indexation		3,10%	1,00%	1,15%	1,40%	1,40%
Financial discount rate	2,10%	2,85%	0,30%	0,90%	0,80%	1,80%
Actual return rate of hedge assets	15,52%	-5,30%	1,00%	1,00%	0,80%	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**	**42**		**49**
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
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	16			16
Net return on fund asset (not included in net interest above)		6		(6)
Actuarial gains and losses on the obligation resulting from experience adjustmen	(8)			(8)
Expense (income) recorded in Other components of comprehensive incon	**10**	**6**		**4**
Employer's contributions to funds		1		(1)
Benefits paid	(3)			(3)
Effect of changes in exchange rates	11	2		9
Balance at the closing date of the period	**115**	**52**		**63**

Nature of invested funds

In millions of euros	12/2019		12/2018	
	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
Shares	16		13	
Bonds	31		25	
Others	5		4	
Total	**52**		**42**	

Note 16 : Impairments allowances to cover counterparty risk

In millions of euros	12/2018	Charge	Reversals		Other (*)	12/2019
			Used	Not Used		
Impairments on banking operations	**1 612**	**784**	**(416)**	**(218)**	**2**	**1 764**
Customer finance transactions	806	392	(208)	(109)	1	882
Ow impairment on receivables with a significant increase in credit r	*265*	*104*	*(49)*	*(61)*	*7*	*266*
Ow Impairment on defaulted receivables	*163*	*100*	*(50)*	*(35)*	*(3)*	*175*
Ow impairment on healthy receivables	*378*	*188*	*(109)*	*(13)*	*(3)*	*441*
Impairment on non-banking operations	**8**	**10**	**(1)**	**(7)**		**10**
Provisions for signature commitments (**)	5	8		(7)		6
Other impairment to cover counterparty risk	3	2	(1)			4
Impairment on banking operations	**10**	**4**		**(3)**	**(2)**	**9**
Provisions for litigation risks	10	4		(3)	(2)	9
Total provisions to cover counterparty risk	**1 630**	**798**	**(417)**	**(228)**		**1 783**

(*) 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 7.

Note 17 : Subordinated debt - Liabilities

In millions of euros	12/2019	12/2018
Liabilities measured at amortized cost	**853**	
Subordinated securities	850	
Accrued interest on subordinated securities	3	
Hedged liabilities measured at fair value	**14**	**13**
Participating loan stocks	14	13
Total subordinated liabilities	**867**	**13**

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%.

RCI Banque issued callable Tier 2 bonds in the amount of €850 million on the bank subordinated debt market.

Note 18 : 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 12/2019
Financial assets	**13 612**	**16 859**	**23 850**	**713**	**55 034**
Cash and balances at central banks	1 494	27	6		1 527
Derivatives	5	7	83	82	177
Financial assets	599	267	497	106	1 469
Amounts receivable from credit institutions	1 219		60		1 279
Loans and advances to customers	10 295	16 558	23 204	525	50 582
Financial liabilities	**16 742**	**8 303**	**19 834**	**4 181**	**49 060**
Central Banks	200	2 000	500		2 700
Derivatives	10	24	58		92
Amounts payable to credit institutions	602	915	1 263		2 780
Amounts payable to customers	14 308	1 485	2 112	700	18 605
Debt securities	1 619	3 879	15 901	2 617	24 016
Subordinated debt	3			864	867

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2018
Financial assets	**13 079**	**14 915**	**22 160**	**697**	**50 851**
Cash and balances at central banks	2 018		22		2 040
Derivatives	18	9	57	39	123
Financial assets	176	141	584	167	1 068
Amounts receivable from credit institutions	973	60			1 033
Loans and advances to customers	9 894	14 705	21 497	491	46 587
Financial liabilities	**15 736**	**6 190**	**19 605**	**3 785**	**45 316**
Central Banks			2 500		2 500
Derivatives	12	38	32		82
Amounts payable to credit institutions	628	542	1 261		2 431
Amounts payable to customers	13 270	1 409	1 402	700	16 781
Debt securities	1 826	4 201	14 410	3 072	23 509
Subordinated debt				13	13

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 19 : 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 12/2019
Financial liabilities	**16 694**	**8 488**	**20 521**	**4 263**	**49 966**
Central Banks	200	2 000	500		2 700
Derivatives	1	11	29		41
Amounts payable to credit institutions	580	848	1 263		2 691
Amounts payable to customers	14 280	1 480	2 112	700	18 572
Debt securities	1 505	3 798	15 873	2 617	23 793
Subordinated debt	3			860	863
Future interest payable	125	351	744	86	1 306
Financing and guarantee commitments	**2 488**	**39**	**30**	**129**	**2 686**
Total breakdown of future contractual cash flows by maturity	**19 182**	**8 527**	**20 551**	**4 392**	**52 652**

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2018
Financial liabilities	**15 768**	**6 388**	**20 352**	**3 866**	**46 374**
Central Banks			2 500		2 500
Derivatives	3	16	25		44
Amounts payable to credit institutions	602	496	1 261		2 359
Amounts payable to customers	13 245	1 407	1 402	700	16 754
Debt securities	1 785	4 134	14 399	3 072	23 390
Subordinated debt				9	9
Future interest payable	133	335	765	85	1 318
Financing and guarantee commitments	**2 331**	**9**		**4**	**2 344**
Total breakdown of future contractual cash flows by maturity	**18 099**	**6 397**	**20 352**	**3 870**	**48 718**

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 2019.

Note 20 : 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 - 31/12/2019	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**55 034**	**1 465**	**2 983**	**50 488**	**54 936**	**(98)**
Cash and balances at central banks	1 527		1 527		1 527	
Derivatives	177		177		177	
Financial assets	1 469	1 465		4	1 469	
Amounts receivable from credit institutions	1 279		1 279		1 279	
Loans and advances to customers	50 582			50 484	50 484	(98)
Financial liabilities	**49 060**	**15**	**49 243**		**49 258**	**(198)**
Central Banks	2 700		2 629		2 629	71
Derivatives	92		92		92	
Amounts payable to credit institutions	2 780		2 939		2 939	(159)
Amounts payable to customers	18 605		18 605		18 605	
Debt securities	24 016		24 125		24 125	(109)
Subordinated debt	867	15	853		868	(1)

(*) FV : Fair value - Difference : Unrealized gain or loss

Financial assets classified as Level 3 are holdings in non-consolidated companies.

In millions of euros - 31/12/2018	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**50 851**	**1 015**	**3 196**	**46 399**	**50 610**	**(241)**
Cash and balances at central banks	2 040		2 040		2 040	
Derivatives	123		123		123	
Financial assets	1 068	1 015		53	1 068	
Amounts receivable from credit institutions	1 033		1 033		1 033	
Loans and advances to customers	46 587			46 346	46 346	(241)
Financial liabilities	**45 316**	**13**	**44 740**		**44 753**	**563**
Central Banks	2 500		2 413		2 413	87
Derivatives	82		82		82	
Amounts payable to credit institutions	2 431		2 398		2 398	33
Amounts payable to customers	16 781		16 781		16 781	
Debt securities	23 509		23 066		23 066	443
Subordinated debt	13	13			13	

(*) 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. Using different 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 2018 and at 31 December 2019 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 2018 and at 31 December 2019.

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 2018 and 31 December 2019 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 21 : 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 - 31/12/2019	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	**1 340**		**1 340**	**37**	**889**		**414**
Derivatives	177		177	37			140
Network financing receivables (1)	1 163		1 163		889		274
Liabilities	**92**		**92**	**37**			**55**
Derivatives	92		92	37			55

(1) The gross book value of dealer financing receivables breaks down into €722m for the Renault Retail Group, whose exposures are hedged for up to €692m by a cash warrant agreement given by the Renault manufacturer (see note 12.3), and €441m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €197m by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

In millions of euros - 31/12/2018	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	**1 207**		**1 207**	**31**	**828**		**348**
Derivatives	123		123	31			92
Network financing receivables (1)	1 084		1 084		828		256
Liabilities	**82**		**82**	**31**			**51**
Derivatives	82		82	31			51

(1) The gross book value of dealer financing receivables breaks down into €659m for the Renault Retail Group, whose exposures are hedged for up to €654m by a cash warrant agreement given by the Renault manufacturer (see note 12.3), and €425m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €174m by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

Note 22 : Commitments given

In millions of euros	12/2019	12/2018
Financing commitments	**2 553**	**2 362**
Commitments to credit institutions	4	
Commitments to customers	2 549	2 362
Guarantee commitments	**216**	**75**
Commitments to credit institutions	57	71
Customer guarantees	159	4
Commitments on securities		**5**
Other securities receivable		5
Other commitments given	**29**	**73**
Commitments given for equipment leases and real estate leases	29	73
Total commitments given (*)	**2 798**	**2 515**
(*) Of which related parties	*7*	*4*

Note 23 : Commitments received

In millions of euros	12/2019	12/2018
Financing commitments	**4 847**	**4 820**
Commitments from credit institutions	4 847	4 820
Guarantee commitments	**16 313**	**14 138**
Guarantees received from credit institutions	228	257
Guarantees from customers	6 741	6 151
Commitments to take back leased vehicles at the end of the contract	9 344	7 730
Other commitments received	**25**	**20**
Other commitments received	25	20
Total commitments received (*)	**21 185**	**18 978**
(*) Of which related parties	*5 408*	*4 698*

At 31 December 2019, RCI Banque had €4,847m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €2,446m of self-subscribed securitizations and unencumbered private receivables mobilizable with the European Central Bank (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 24 : Exposure to currency risk

In millions of euros - 12/2019	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(29)	29				
Position GBP	323		19		342		342
Position CHF	285			(281)	4		4
Position CZK	90			(73)	17		17
Position ARS	2				2		2
Position BRL	145				145	1	144
Position PLN	486			(472)	14	1	13
Position HUF	6				6		6
Position RON	25			(23)	2	2	
Position KRW	165				165		165
Position MAD	30				30	3	27
Position DKK	127			(127)			
Position TRY	12				12		12
Position SEK	135			(135)			
Position HRK	4			(4)			
Position INR	27				27		27
Position COP	33				33		33
Total exposure	**1 895**	**(29)**	**48**	**(1 115)**	**799**	**7**	**792**

In millions of euros - 12/2018	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(83)	84		1	1	
Position GBP		(300)	426		126		126
Position CHF	385			(381)	4		4
Position CZK	84			(67)	17		17
Position ARS	4				4	1	3
Position BRL	137				137	2	135
Position PLN	382			(368)	14	1	13
Position HUF	6				6		6
Position RON	32			(24)	8	8	
Position KRW	168				168		168
Position MAD	28				28	2	26
Position DKK	141			(138)	3	3	
Position TRY	13				13		13
Position SEK	104			(104)			
Position RUB	1				1	1	
Position INR	27				27		27
Position COP	32				32		32
Total exposure	**1 544**	**(383)**	**510**	**(1 082)**	**589**	**19**	**570**

The structural foreign exchange position corresponds to the value of foreign currency equity securities held by RCI Banque SA.

Note 25 : Interest and similar income

In millions of euros	12/2019	12/2018
Interests ans similar incomes	**2 966**	**2 751**
Transactions with credit institutions	34	51
Customer finance transactions	2 173	2 037
Finance lease transactions	671	591
Accrued interest due and payable on hedging instruments	72	61
Accrued interest due and payable on Financial assets	16	11
Staggered fees paid for referral of business:	**(770)**	**(656)**
Customer Loans	(614)	(534)
Finance leases	(156)	(122)
Total interests and similar income (*)	**2 196**	**2 095**
(*) Of which related parties	*740*	*705*

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 26 : Interest expenses and similar charges

In millions of euros	12/2019	12/2018
Transactions with credit institutions	(203)	(191)
Customer finance transactions	(130)	(129)
Finance lease transactions	(2)	(1)
Accrued interest due and payable on hedging instruments	(54)	(47)
Expenses on debt securities	(340)	(316)
Other interest and similar expenses	(15)	(18)
Total interest and similar expenses (*)	**(744)**	**(702)**
(*) Of which related parties	*(4)*	*(6)*

Note 27 : Fees and commissions

In millions of euros	12/2019	12/2018
Fees and commissions income	**605**	**545**
Commissions	19	15
Fees	21	22
Commissions from service activities	82	72
Insurance brokerage commission	65	64
Incidental insurance commissions from finance contracts	226	195
Incidental maintenance commissions from finance contracts	129	119
Other incidental commissions from finance contracts	63	58
Fees and commissions expenses	**(234)**	**(213)**
Commissions	(22)	(20)
Commissions on service activities	(57)	(55)
Incidental insurance commissions from finance contracts	(29)	(24)
Incidental maintenance commissions from finance contracts	(86)	(72)
Other incidental commissions from finance contracts	(40)	(42)
Total net commissions (*)	**371**	**332**
(*) Of which related parties	*13*	*13*

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 28 : Net gains (losses) on financial instruments at fair value through profit or loss

In millions of euros	12/2019	12/2018
Net gains (losses) on derivatives classified as transactions in trading securities	**(12)**	**(2)**
Net gains / losses on forex transactions	17	(8)
Net gains / losses on derivatives classified in trading securities	(22)	8
Net gains and losses on equity securities at fair value	(2)	(1)
Fair value hedges : change in value of hedging instruments	76	28
Fair value hedges : change in value of hedged items	(81)	(28)
Net gains / losses on financial assets designated at fair value through profit or loss		(1)
Financial assets designated at fair value through profit or loss	**34**	**(29)**
Dividends from non-consolidated holdings	6	4
Gains and losses on assets at fair value through profit and loss	28	(33)
Total net gains or losses on financial instruments at fair value (*)	**22**	**(31)**
(*) Of which related parties	*6*	*4*

In 2019, the item "Gains and losses on assets in fair value by profit or loss" included the reversal of net impairment of equity interests sold (namely iCabbi, Flit technologies, Cllass & co, Marcel, RCI Mobility) for €34.1m (of which €55.1m of impairment reversals). In 2018, impairments amounted to €29.1m.

Note 29 : Net income or expense of other activities

In millions of euros	12/2019	12/2018
Other income from banking operations	**1 004**	**950**
Income from insurance activities	472	451
Income related to non-doubtful lease contracts	294	271
of which reversal of impairment on residual values	*27*	*27*
Income from operating lease transactions	215	193
Other income from banking operations	23	35
of which reversal of charge to reserve for banking risks	*8*	*10*
Other expenses of banking operations	**(758)**	**(725)**
Cost of insurance activities	(182)	(187)
Expenses related to non-doubtful lease contracts	(305)	(280)
of which allowance for impairment on residual values	*(36)*	*(25)*
Distribution costs not treatable as interest expense	(93)	(92)
Expenses related to operating lease transactions	(154)	(133)
Other expenses of banking operations	(24)	(33)
of which charge to reserve for banking risks	*(8)*	*(16)*
Other operating income and expenses	**5**	**11**
Other operating income	24	27
Other operating expenses	(19)	(16)
Total net income (expense) of other activities (*)	**251**	**236**
(*) Of which related parties	*(10)*	*(9)*

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 activities

In millions of euros	12/2019	12/2018
Gross premiums issued	377	349
Net charge of provisions for technical provisions	(28)	(42)
Claims paid	(32)	(27)
Claims recovered from reinsurers	12	11
Others reinsurance charges and incomes	(37)	(25)
Total net income of insurance activities	**292**	**266**

Note 30 : General operating expenses and personnal costs

In millions of euros	12/2019	12/2018
Personnel costs	**(308)**	**(295)**
Employee pay	(202)	(190)
Expenses of post-retirement benefits - Defined-contribution pension plan	(18)	(16)
Expenses of post-retirement benefits - Defined-benefit pension plan	(1)	
Other employee-related expenses	(71)	(66)
Other personnel expenses	(16)	(23)
Other administrative expenses	**(277)**	**(270)**
Taxes other than current income tax	(43)	(43)
Rental charges	(7)	(11)
Other administrative expenses	(227)	(216)
Total general operating expenses (*)	**(585)**	**(565)**
(*) Of which related parties	*(1)*	*(2)*

Auditors’ fees are analysed in part E - fees of auditors and their network, in the general information section.

In addition, non-audit services that KPMG Audit provided during the financial year to RCI and entities that it controls mainly concern (i) comfort letters in connection with bond issues (ii) attest engagements mainly relating to CSR information, and (iii) agreed procedures carried out mainly for local regulatory reasons. Non-audit services provided by Ernst & Young Audit in the financial year to RCI and entities that it controls concern (i) comfort letters in connection with bond issues, and (ii) agreed procedures undertaken mainly for local regulatory reasons.

Average number of employees	12/2019	12/2018
Sales financing operations and services in France	1 614	1 545
Sales financing operations and services in other countries	1 995	1 937
Total RCI Banque group	**3 609**	**3 481**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks totaling €7 million as at December 31, 2019 compared to €11 million as at December 31, 2018.

Note 31 : Cost of risk by customer category

In millions of euros	12/2019	12/2018
Cost of risk on customer financing	**(176)**	**(172)**
Impairment allowances	(277)	(398)
Reversal of impairment	198	308
Losses on receivables written off	(133)	(114)
Amounts recovered on loans written off	36	32
Cost of risk on dealer financing	**9**	**34**
Impairment allowances	(80)	(83)
Reversal of impairment	89	117
Losses on receivables written off	(1)	(1)
Amounts recovered on loans written off	1	1
Other cost of risk	**(10)**	**(7)**
Change in allowance for impairment of other receivables	1	(5)
Other valuation adjustments	(11)	(2)
Total cost of risk (*)	**(177)**	**(145)**
(*) Of which related parties	*(11)*	*(1)*

This item includes the net increase (decrease) in impairment allowances, losses on receivables written off, and amounts recovered on receivables written off.

Other valuation adjustments comprises the debt waiver granted to entities disposed of (namely Marcel) in the amount of -€11.4 million.

Note 32 : Income tax

In millions of euros	12/2019	12/2018
Current tax expense	**(294)**	**(283)**
Current tax expense	(294)	(283)
Deferred taxes	**(98)**	**(50)**
Income (expense) of deferred taxes, gross	(98)	(51)
Change in allowance for impairment of deferred tax assets		1
Total income tax	**(392)**	**(333)**

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 -€4m.

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	12/2019	12/2018
Provisions	45	18
Provisions and other charges deductible when paid	22	14
Tax loss carryforwards	126	96
Other assets and liabilities	148	156
Lease transactions	(754)	(610)
Non-current assets	1	4
Impairment allowance on deferred tax assets	(5)	(5)
Total net deferred tax asset (liability)	**(417)**	**(327)**

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2019	12/2018
Statutory income tax rate - France	**34,43%**	**34,43%**
Differential in tax rates of French entities	2,12%	0,77%
Differential in tax rates of foreign entities	-9,07%	-7,58%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	0,00%	-0,07%
Effect of equity-accounted associates	-0,55%	-0,38%
Other impacts	2,64%	0,10%
Effective tax rate	**29,57%**	**27,27%**

The interest rate differential for French entities is mainly due to a less advantageous mechanism for capping deductions for financial expenses (the 'rabot' effect (French proportional interest deduction restriction).

At the end of 2019, a provision for tax risks in Italy of 19 million euros (+2.65% impact) was recorded under "Other impacts".

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2019 change in equity			2018 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	(19)	5	(14)	4	(1)	3
Unrealised P&L on financial assets	1	(1)		(1)	1	
Actuarial differences	(13)	3	(10)	2		2
Exchange differences	15		15	(65)		(65)

Note 33 : Events after the end of the reporting period

No event subsequent to closure that might have a significant effect on the financial statements at 31 December 2019 occurred between the date of closure and 5 February 2020, the date on which the Board approved the financial statements

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	2019	2018
PARENT COMPANY: RCI BANQUE S.A.						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque SA 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					
SOCIETES INTEGREES GLOBALEMENT :						
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 SA	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 Brasil Serviços e Participações Ltda*	Brazil	100			100	-
RCI Colombia S.A. Compania De Financiamiento	Colombia	51			51	51
RCI Servicios Colombia S.A. **	Colombia	100			100	94,98
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	Hungary	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 Morocco	Morocco	100			100	100
RDFM	Morocco	-	100	RCI Finance Morocco	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

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2019	2018
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 Finantare Romania	Roumania	100			100	100
RCI Financial Services Ltd	United-Kingdom	-	100	RCI Bank UK Ltd	100	100
RCI Bank UK Ltd*	United-Kingdom	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 13)	RCI Banque Niederlassung Deutschland		
Cars Alliance Auto Loans Germany V 2016-1	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Deutschland		
Cars Alliance DFP Germany 2017	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
Cars Alliance Auto Loans Germany V 2019-1*	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans France V 2018-1**	France		(cf note 13)	Diac S.A.		
FCT Cars Alliance DFP France	France		(cf note 13)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(cf note 13)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL	Italy		(cf note 13)	RCI Banque Succursale Italiana		
Cars Alliance Auto UK 2015 Limited	United-Kingdom			RCI Financial Services Ltd		
Fundo de Investimentos em Direitos Creditórios CAS VD**	Brazil			Banco RCI Brasil S.A.		
SOCIETES MISES EN EQUIVALENCE :						
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 2019 - ** Entities added to the scope in 2018

B) Subsidiaries in which non-controlling interests are significant

In millions of euros - 31/12/2019 - before intra-group elimination	RCI Financial Services, S.r.o.	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A	RCI Colombia S.A.
Country of location	Czech republic	Argentina	Brazil	Colombia
Percentage of capital held by non controlling interests	50,00%	40,00%	39,89%	49,00%
Share in associates by non controlling interests	50,00%	40,00%	39,89%	49,00%
Nature	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures	3		24	5
Equity: Investments in associates and joint ventures	13		1	39
Dividends paid to non controlling interests (minority shareholders)	1		9	
Cash, due from banks	13	15	198	17
Net outstandings customers loans and lease financings	143	98	2 308	486
Other assets	5	2	142	12
Total assets	**161**	**115**	**2 648**	**515**
Due to banks, customer deposits and debt securities issued	132	87	2 281	426
Other liabilities	3	12	91	9
Net Equity	26	16	276	80
Total liabilities	**161**	**115**	**2 648**	**515**
Net banking income	**10**	**7**	**139**	**30**
Income tax	(1)	(1)	(16)	(6)
Net income	5		59	11
Other components of comprehensive income		2	(20)	
Total comprehensive income	**5**	**2**	**39**	**11**
Net cash generated by operating activities	13	8	77	(11)
Net cash generated by financing activities	(5)		(40)	
Net cash generated by investing activities			2	(1)
Net increase/(decrease) in cash and cash equivalents	**8**	**8**	**39**	**(12)**

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 €144m at 31 December 2019, against €126m at 31 December 2018.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €7m at 31 December 2019, against €12m at 31 December 2018.

In millions of euros - 31/12/2018 - before intra-group elimination	RCI Financial Services, S.r.o.	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A	RCI Colombia S.A.
Country of location	Czech republic	Argentina	Brazil	Colombia
Percentage of capital held by non controlling interests	50,00%	40,00%	39,89%	49,00%
Share in associates by non controlling interests	50,00%	40,00%	39,89%	49,00%
Nature	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures	2		19	4
Equity: Investments in associates and joint ventures	11			34
Dividends paid to non controlling interests (minority shareholders)	5		8	
Cash, due from banks	2	21	103	24
Net outstandings customers loans and lease financings	145	185	1 965	343
Other assets	2	4	143	14
Total assets	**149**	**210**	**2 211**	**381**
Due to banks, customer deposits and debt securities issued	123	171	1 867	308
Other liabilities	4	10	89	4
Net Equity	22	29	255	69
Total liabilities	**149**	**210**	**2 211**	**381**
Net banking income	**9**	**8**	**121**	**22**
Income tax	(1)		(28)	(2)
Net income	5	(1)	47	8
Other components of comprehensive income		6	(12)	
Total comprehensive income	**5**	**5**	**35**	**8**
Net cash generated by operating activities	25	15	80	(36)
Net cash generated by financing activities	(21)		(33)	24
Net cash generated by investing activities			(2)	25
Net increase/(decrease) in cash and cash equivalents	**4**	**15**	**45**	**13**

C) Significant associates and joint ventures

In millions of euros - 31/12/2019 - 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	13	6	2
Investments in associates and joint ventures	84	25	33
Dividends received from associates and joint ventures			
Cash, due from banks	91	35	3
Net outstandings customers loans and lease financings	1 390	298	364
Other assets	55	7	12
Total assets	**1 536**	**340**	**379**
Due to banks, customer deposits and debt securities issued	1 211	278	19
Other liabilities	48	13	250
Net Equity	277	49	110
Total liabilities	**1 536**	**340**	**379**
Net banking income	**86**	**21**	**20**
Income tax	(11)	(1)	(3)
Net income	44	11	8
Other components of comprehensive income			
Total comprehensive income	**44**	**11**	**8**
Net cash generated by operating activities	(51)	(13)	(24)
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**(51)**	**(13)**	**(24)**

In millions of euros - 31/12/2018 - 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	63	21	31
Dividends received from associates and joint ventures			
Cash, due from banks	124	53	2
Net outstandings customers loans and lease financings	993	454	326
Other assets	39	7	14
Total assets	**1 156**	**514**	**342**
Due to banks, customer deposits and debt securities issued	919	458	13
Other liabilities	33	13	227
Net Equity	204	43	102
Total liabilities	**1 156**	**514**	**342**
Net banking income	**74**	**21**	**18**
Income tax	(9)	(3)	(3)
Net income	35	8	5
Other components of comprehensive income			
Total comprehensive income	**35**	**8**	**5**
Net cash generated by operating activities	(13)	2	(47)
Net cash generated by financing activities	38		
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**25**	**2**	**(47)**

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 - 31/12/2019

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	428	216,2	103,8	(69,0)	18,3	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	373	271,2	197,1	(43,0)	(18,6)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	56	49,1	28,4	(9,2)	0,6	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	52	24,7	12,8	(2,9)	(0,3)	
Belgium	RCI Financial Services S.A.	Financing	30	16,5	11,2	(3,7)	0,1	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	176	159,5	93,7	(33,9)	11,6	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	60	30,6	16,8	(4,6)	(1,3)	
	RCI Servicios Colombia S.A.	Financing						
South Korea	RCI Financial Services Korea Co. Ltd	Financing	112	66,9	43,7	(10,4)	(1,1)	
Spain	Rci Banque S.A. Sucursal En España	Financing	215	144,7	87,9	(29,7)	3,5	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1 087	433,5	228,1	(1,5)	(116,3)	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	6	4,0	3,7	(0,2)		
India	Nissan Renault Financial Services India Private Limited	Financing	114		2,5			
Ireland	RCI Banque, Branch Ireland	Financing	29	18,4	11,7	(1,5)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	215	179,1	106,0	(41,0)	4,2	
	ES Mobility S.R.L.	Financing						
Malta	RCI Services Ltd	Holding	29	153,1	147,4	(13,5)	7,3	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	52	28,3	13,5	(4,5)	(0,7)	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	47	22,6	12,5	(3,1)	0,2	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	61	35,5	23,3	(8,4)	4,9	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	45	18,1	9,5	(2,2)	(3,0)	
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	23	12,5	9,0	(1,8)		
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	64	21,3	13,9	(2,5)	(0,1)	
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	296	141,8	101,9	(1,1)	(6,8)	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	215	0,3	13,2			
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Bančna podružnica Ljubljana	Financing	40	10,7	5,6	(1,4)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	17	11,3	8,7	(1,3)	(0,5)	
Switzerland	RCI Finance S.A.	Financing	47	25,9	15,8	(3,6)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	56		5,6			
TOTAL			**3 945**	**2 096**	**1 327**	**(294)**	**(98)**	

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 Finance Committee and ad hoc 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 Risk and Bank Regulations 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 Finance 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.

Two monitoring indicators are used internally for rate risk:

- discounted sensitivity (Economic Value - EV) consists of 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

- the net interest income which consists of measuring a gain or loss, according to an income statement vision. It is presented as the future interest income difference over a set time-frame. The particular feature adopting an NII vision, compared with the actuarial vision of sensitivity, is the linearization of the impact of new operations.

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 finance 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:	€14.5m
Not assigned:	€03.5m
Total sensitivity limit in €m granted by Renault to RCI Banque:	**€50.0m**

In accordance with regulatory changes (EBA/GL/2018/02), 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 modelling 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 Risk and Bank Regulations 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 finance committee, which checks that positions are in line with the group's financial strategy and with prevailing procedural memoranda.

Over the Year 2019, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€50m).

At 31 December 2019, sensitivity to NIM following a 100-basis point rise in rates would have an impact of:

- +0,9 M€ in GBP,
- +0,5 M€ in KRW,
- +0,2 M€ in PLN,
- -0,2 M€ in CZK,
- -0,5 M€ in BRL,
- -0,8 M€ in CHF
- -1,0 M€ in EUR.

The absolute sensitivity values in each currency totaled €4.5m.

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), 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 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 Finance 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 dated 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 €4m 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 €35m.

At 31 December 2019, the RCI Banque group's consolidated forex position is €6.3m.

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 finance committee and integrated into the consolidated monitoring of Groupe Renault 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 Banque 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 finance 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 finance 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.

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 €12m at 31 December 2019 against €29m at 31 December 2018. According to the fixed-rate method, it is €318m at 31 December 2019 against €423m at 31 December 2018.

These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.