RCI BANQUE SA

FINANCIAL REPORT 2020

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BUSINESS REPORT
2020

RCI BANK AND SERVICES

RCI BANK AND SERVICES[1] IN BRIEF

RCI Bank and Services offers financial solutions and services to facilitate access to automotive mobility for Alliance customers[2]. By taking into account the specificities of each brand and anticipating the new needs and uses of their customers, RCI Bank and Services supports their commercial policies to win over and retain new customers.

RCI Bank and Services is at the crossroads of three worlds: the automotive industry through its history, banking through its business and services through its offers. On a daily basis in 36 countries around the world, RCI Bank and Services supports the development of the Alliance brands and their dealer networks by offering a complete range of financing solutions, insurance and services to their customers.

TAILOR-MADE OFFERS FOR EACH TYPE OF CUSTOMER

For retail customers, we offer financing solutions and services adapted to their projects and their uses in order to facilitate, support and enrich their experience, throughout their automotive mobility journey. Our solutions and services apply to both new and used vehicles.

For professional customers, we provide a wide range of mobility solutions to free them from the constraints of managing their vehicle fleet and allow them to focus on their core business.

We provide active support to **the Alliance brand dealer networks** by financing inventories (of new vehicles, used vehicles and spare parts), as well as short-term cash flow requirements.

THE SAVINGS BANK BUSINESS, A PILLAR OF THE COMPANY'S REFINANCING

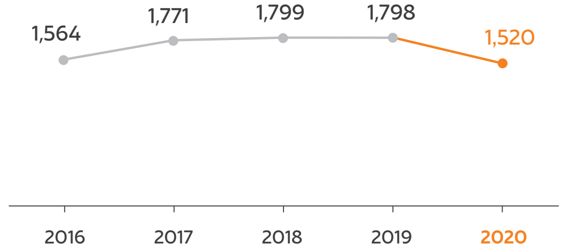
Launched in 2012, the savings business is present in six markets: France, Germany, Austria, the United Kingdom, Brazil and, since November 2020, in Spain. The collection of deposits is a lever for diversifying the refinancing sources of the group's business. The amounts collected totaled €20.5 billion, i.e. around 43% of net assets at the end of December 2020[3].

MORE THAN 3,800 EMPLOYEES WORKING IN FOUR REGIONS

Our employees operate in 36 countries, spread across four major regions of the world: Europe; Americas; Africa - Middle East - India and the Pacific[4]; Eurasia.

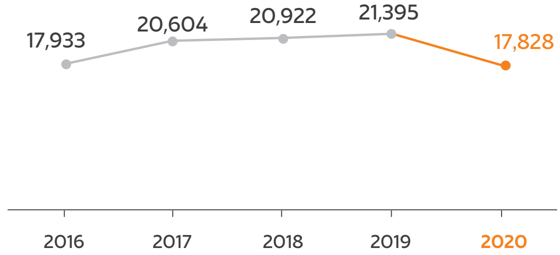
TOTAL NUMBER OF VEHICLE CONTRACTS

(in thousands)



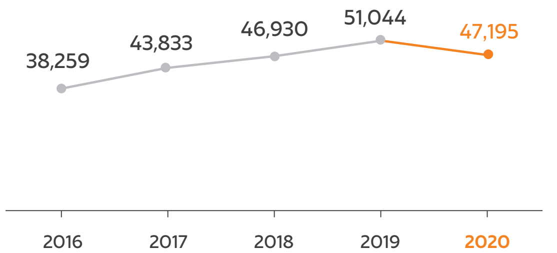
NEW FINANCINGS

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



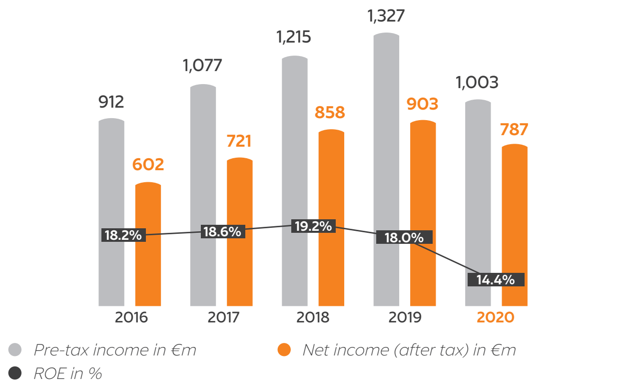
NET ASSETS AT YEAR-END[3]

(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 Groupe Renault brands (Renault, Dacia, Alpine, Renault Samsung Motors, Lada) worldwide, the Nissan Group (Nissan, Infiniti, Datsun) mainly in Europe, Brazil, Argentina, South Korea and in the form of joint ventures in Russia and India, and Mitsubishi Motors in the Netherlands.
(3) Net assets at year-end: net total outstandings + operating lease transactions net of depreciation, amortization and provisions.
(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.

BUSINESS ACTIVITY 2020

In the context of the Covid-19 pandemic and a world automotive market down 19.4%[1], RCI Bank and Services achieved a financing penetration rate up by 3.1 points to 45.3%.

RCI Bank and Services financed 1,520,330 contracts in 2020, down by 15.5% compared to 2019. Used vehicle financing business posted a limited decline of 5.2% compared to 2019 with 349,243 contracts financed.

Excluding Turkey, Russia and India (companies consolidated using equity method, "SME"), it came to 47.5%, compared with 44.2% in 2019.

New financing generated (excluding cards and personal loans) amounted to €17.8 billion.

Average performing assets (APA)[2] related to the Retail Customer business amounted to €37.6 billion, an increase of 1.1%. Average performing assets linked to the Dealer business stood at 9.3 billion, a decrease of 8.8% in connection with a new policy of optimizing inventories. Overall, average performing assets amounted to €46.9 billion, a decrease of 1.1% compared to 2019.

A pillar of the group's strategy, the number of services sold over the last 12 months represents 4.6 million insurance and service contracts, down by 9.6%, of which 70% are associated with the customer and vehicle use-related services.

The Europe Region had the highest financing penetration rate among the RCI group regions, at 48.9%, up by 3.5 points compared to last year.

The financing penetration rate in the Americas Region was 41.6%, up by 3.6 points compared to 2019, driven by the strong performance of Brazil and Colombia, which achieved high financing penetration rates of 41.1% and 62.8% respectively.

The financing penetration rate for the Africa - Middle East - India and Pacific Region amounted to 41.8%, an increase of 0.9 point compared to 2019. In Korea, more than one in two new vehicles sold by Renault Samsung Motors was financed by RCI Bank and Services, which achieved a financing penetration rate of 57.3%, slightly down by 2.2 points compared to 2019.

The financing penetration rate in the Eurasia Region stood at 35.0%, benefiting in particular from the strong performance of Turkey, which recorded strong growth of 13.9 points in Financing intervention to reach 33.8%. This was also the case in Russia, with a Financing intervention rate of 36.5%, a sharp increase of 4.4 points compared to 2019.

(1) On the scope of RCI Bank and Services' subsidiaries.
(2) 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.

	Financing penetration rate (%)		New vehicle contracts (thousands)		New financings excl. credit cards and personal loans (€m)		Net assets at year-end[4] (€m)		of which Customer net assets at year-end (€m)		of which Dealer net assets at year-end (€m)	
PC + LCV market[3]	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
EUROPE	**48.9%**	**45.4%**	**1,112**	**1,342**	**15,038**	**17,898**	**42,635**	**45,413**	**34,128**	**34,488**	**8,507**	**10,925**
of which Germany	47.2%	44.3%	172	188	2,566	2,902	8,361	8,418	7,002	6,805	1,359	1,613
of which Spain	52.7%	52.6%	109	154	1,305	1,842	4,120	4,797	3,492	3,762	628	1,035
of which France	54.9%	49.3%	427	490	5,760	6,363	15,993	15,579	12,262	11,788	3,731	3,791
of which Italy	67.3%	65.7%	151	210	2,153	3,030	5,620	6,297	4,873	4,946	747	1,351
of which United Kingdom	36.2%	29.3%	101	106	1,538	1,589	4,116	4,781	3,440	3,800	676	981
of which other countries	33.9%	32.2%	153	194	1,716	2,172	4,425	5,541	3,059	3,387	1,366	2,154
AFRICA - MIDDLE-EAST - INDIA AND PACIFIC	**41.8%**	**40.9%**	**107**	**119**	**1,156**	**1,240**	**2,072**	**2,168**	**1,973**	**2,036**	**99**	**132**
AMERICAS	**41.6%**	**38.0%**	**148**	**208**	**1,014**	**1,688**	**2,157**	**3,145**	**1,879**	**2,572**	**278**	**573**
of which Argentina	28.2%	21.0%	18	20	77	74	123	189	75	97	48	92
of which Brazil	41.1%	39.4%	100	156	682	1,331	1,498	2,470	1,311	2,038	187	432
of which Colombia	62.8%	53.8%	29	33	254	282	536	486	493	437	43	49
EURASIA	**35.0%**	**29.7%**	**154**	**128**	**619**	**569**	**331**	**318**	**321**	**303**	**10**	**15**
TOTAL GROUPE RCI BANQUE	**45.3%**	**42.2%**	**1,520**	**1,798**	**17,828**	**21,395**	**47,195**	**51,044**	**38,301**	**39,399**	**8,894**	**11,645**

(3) Figures refer to passenger car (PC) and light commercial vehicle (LCV) markets.
(4) 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.

CONSOLIDATED FINANCIAL HIGHLIGHTS 2020

In 2020, in a difficult context, RCI Bank and Services maintains a strong financial performance.

RESULTS

Net banking income (NBI) amounted to €1,955 million, down 6,7% compared to 2019. The contribution of Services activities to NBI continued to grow (+1.8% compared to last year) and now represents one-third of NBI.

Operating expenses amounted to €585 million, or 1.25% of APA, representing an improvement of €11 million and one basis point compared to the previous year. With a cost-to-income income ratio of 29.9%, a slight increase of 1.4 point, RCI Bank and Services demonstrates its ability to adapt its operating expenses to the level of its activity and is fully committed to Groupe Renault's fixed cost reduction plan.

The cost of risk for the Customer business (financing for private and business customers) rose to 0.89% of APAs in 2020 compared to 0.47% of APAs last year. This deterioration is explained by the increase in provisions following the negative repercussions of the lockdown policies on several sectors of the economy and the slight increase in the proportion of non-performing loans in assets. For the Dealer business (financing for dealerships) is also negatively impacted by the updating of macroeconomic forecasts in the context of IFRS 9 forward-looking provisioning. It stood at 0.19% of APA in 2020 compared with a negative cost of risk of 0.09% (reversal of provisions) in 2019. The total cost of risk therefore stands at 0.75% of APA compared to 0.37% in 2019.

Pre-tax income stood at €1,003 million at the end of 2020, compared to €1,327 million in 2019. This decrease results mainly from the increase in the cost of risk for €176 million, from a negative currency effect of €36 million linked to the devaluation of the Brazilian Real and the Argentine Peso, and from the non-repetition of non-recurring positive impacts linked to disposals made in 2019.

Consolidated net income - parent company shareholders' share - reached €787 million in 2020, compared to €903 million in 2019.

BALANCE SHEET

In 2020, commercial activity was negatively impacted by the covid-19 health crisis. The decrease in the number of financing granted to individuals and businesses, as well as the new policy of optimizing dealer inventories, led to a decrease in net assets. At the end of December 2020, they reached € 47.2 billion, compared to €51.0 billion at the end of December 2019 (- 7.5%).

Consolidated equity amounted to €6,273 million compared to €5,702 million at the end of December 2019 (+ 10.0%).

PROFITABILITY

ROE[(2)] is down to 14.4% compared to 18.0%[(3)] in December 2019. It is impacted by the rise in cost of risk, the increase in the average net equity due to the 2020 annual result, and by the cancellation of the residual 2019 dividend. The RoRWA[(4)] reaches 2,21% in 2020 versus 2,60% in 2019[(5)]. It is negatively impacted by the decrease of the net income (parent company shareholders' share) for -33 bps and by the 3% increase of the average RWA for 6 bps.

SOLVENCY

The total capital ratio[(6)] came to 19.83% at the end of December 2020 (of which CET1 ratio was 17.34%), against 17.73% at the end of December 2019 [(7)] (of which CET1 ratio was 15.27%). The main impacts[(8)] stem from the generation of organic capital[(9)], with the 2020 forecast dividend being limited to €69 million. This is in accordance with recommendations from the ECB on dividend payments. If these recommendations are not extended beyond 30/09/2021, and in the absence of an unanticipated unfavorable event, RCI plans to pay as soon as possible an additional dividend of around €930m. This would impact the Core Equity Tier One ratio by -2.7%.

Consolidated income statement *(in millions of euros)*	**12/2020**	**12/2019**	**12/2018**
Net banking income	1,955	2,096	1,930
General operating expenses*	(600)	(603)	(575)
Cost of risk	(353)	(177)	(145)
Share in net income (loss) of associates and joint ventures	19	21	15
Gain or loss on fixed assets**	(1)	(2)	
Income (loss) on exposure to inflation ***	(15)	(8)	(10)
Change in value of goodwill	(2)		
PRE-TAX INCOME	**1,003**	**1,327**	**1,215**
CONSOLIDATED NET INCOME (parent company shareholders' share)	**787**	**903**	**858**

** 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)*	**12/2020**	**12/2019**	**12/2018**
Total net outstandings of which	45,777	49,817	45,956
Retail customer loans	22,975	24,733	23,340
Finance lease rentals	13,908	13,439	11,729
Dealer financing	8,894	11,645	10,887
Operating lease transactions net of depreciation and impairment	1,418	1,227	974
Other assets	11,691	7,036	6,464
Own equity (incl. Income for the year) of which	7,163	6,569	5,320
Equity	6,273	5,702	5,307
Subordinated debt	890	867	13
Bonds	17,560	18,825	18,903
Negotiable debt securities (CD, CP, BT, BMTN)	1,172	1,948	1,826
Securitization	3,259	3,243	2,780
Customer savings accounts - Ordinary accounts	14,714	13,003	12,120
Customer term deposits accounts	5,794	4,708	3,743
Banks, central banks and other lenders (including Schuldschein)	5,584	6,374	5,849
Other liabilities	3,640	3,410	2,853
BALANCE SHEET TOTAL	**58,886**	**58,080**	**53,394**

(1) Net assets at year-end: total net outstandings at year-end + operating lease transactions net of depreciation and impairment.
(2) ROE (Return on equity) is calculated by dividing net income for the period by average net equity (excluding Income for the period).
(3) Excluding the impact of start-ups, ROE was 17.6% in 2019.
(4) The Return on Risk-Weighted Assets (RoRWA) highlights the profitability or return (R) of the Risk-Weighted Assets (RWA). It is the ratio between the net income (parent company shareholders'share) and the average RWA over a given period. This indicator allows banks and financial institutions to improve the monitoring of their performance and to facilitate decision-making processes in relation to the associated risks.
(5) 2019 Proforma.
(6) Ratio including the interim profits net of provisional dividends, after regulator's approval in accordance with Article 26 § 2 of Regulation (EU) 575/2013.
(7) Impact of the cancellation of the €300m residual 2019 dividend is +86bps on CET1 at 31/12/2019.
(8) TRIM related headwinds globally in line with expectations reported in February 2020 and compensated by activation of certain CRR options (netting of deferred tax, Credit Conversion Factor).
(9) Net profit minus planned 2020 dividend distribution.

FINANCIAL POLICY

The Covid-19 health crisis has profoundly affected economies and markets throughout 2020. Governments and central banks quickly took action to avoid a major and lasting economic crisis.

Initially concentrated in China and Asia, the Coronavirus epidemic spread worldwide. Between March and April 2020, fears of a health crisis led many countries to introduce strict lockdown measures. These measures have had a major impact on economic activity and consumption. To prevent this health crisis from triggering a major economic crisis, the main central banks took extensive monetary policy measures.

In the United States, the Federal Reserve resumed its asset purchase program comprising government bonds, municipal bonds, corporate bonds, mortgage securities and securitizations for a total amount of USD 2.6 trillion. It also cut the Fed Funds rate to 0-0.25%, a 150 bps drop since early March, and announced that it was planning on keeping them at a level close to zero until at least 2022. In July, the institution modified its long-term policy to reach a target interest rate of 2% on average and allow monetary flexibility aimed at regaining a full employment market.

The European Central Bank has introduced a new emergency purchasing program in response to the pandemic. Initially announced for €750 billion, the Pandemic Emergency Purchase Program, or PEPP, was subsequently increased to €1.85 trillion. TLTRO III terms[1] were also eased with a reduction in the rate and a downward recalibration of the growth targets that banks must achieve in order to benefit from the lowest rate. In July, the 27 European countries also reached agreement on a €750 billion recovery plan, split between €390 billion in subsidies and €360 billion in loans intended to finance post-pandemic recovery efforts.

The Bank of England followed in the footsteps of the FED and the ECB, lowering its base rate in two stages from 75 bps to 10 bps, and increased its purchase program for government and non-banking investment grade corporate bonds by £200 billion in March 2020.

Nevertheless, equity indexes fell sharply in February and March and credit spreads widened significantly. During the second half of the year, marked by the end of lockdowns, market conditions gradually normalized before experiencing a temporary rise in risk aversion linked to the resurgence of the health crisis at the end of October. The election of a new Democratic President in the USA in early November and the growing hopes for the development of an effective vaccine against Covid-19 led to a sharp rebound in equity markets as well as a tightening of risk premiums on the bond market. The agreement reached on the conditions of Brexit and the start of Covid-19 vaccination campaigns also supported the markets in early 2021.

After a low of -36%, the Euro Stoxx 50 index ended the year down -5%. At the same time, credit spreads on corporate bonds (IBOXX Corporate Overall index) experienced similar volatility, rising from 70 bps in January to 200 bps at the end of March, before ending the year at 74 bps.

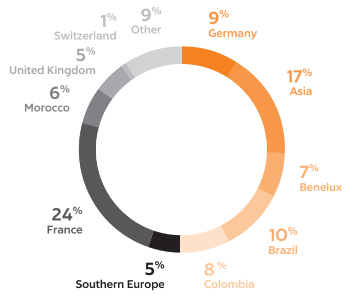
During the year, the use of market funding has been modest and the Company was barely impacted by the increased cost of financing. This situation is the result of lower bond redemption in 2020 than in previous years (anticipation of the refinancing of the TLTRO II launched in 2016), the slowdown in automotive sales and the resulting decline in new loan volumes. A 7-year fixed-rate €750 million bond was issued in January.

Private customer deposits increasedDeposits by €2.8 billion since December 2019, reaching €20.5 billion at 31 December 2020 and representing 43% of net assets at the end of December.

In the secured refinancing segment, private securitizations of car loans in the United Kingdom and leasing in Germany saw their revolving periods extended for an additional year. The French subsidiary also carried out its first securitization of automotive Lease with Purchase Option (LOA) receivables in France for an amount of €991.5 million, split between €950 million in senior securities (including 200 million retained) and €41.5 million in subordinated notes.

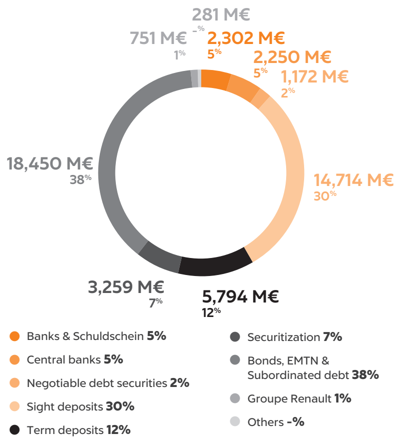
GEOGRAPHICAL BREAKDOWN OF NEW RESOURCES WITH A MATURITY OF ONE YEAR OR MORE (EXCLUDING DEPOSITS AND TLTRO)

(as at 31/12/2020)



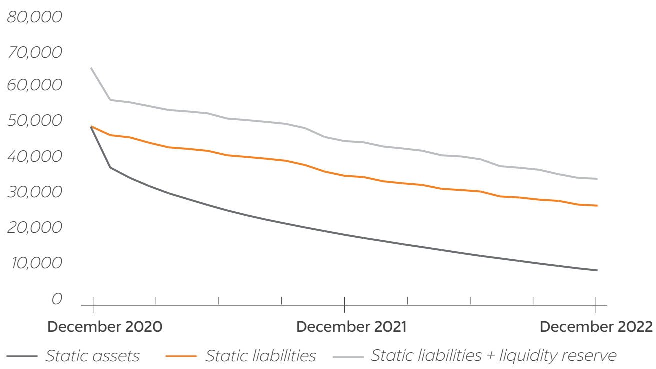
STRUCTURE OF TOTAL DEBT

(as at 31/12/2020)



STATIC LIQUIDITY POSITION[2]

(in million euros)



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

(2) *Scope: Europe.*

(1) *Targeted Longer-Term Refinancing Operations.*

FINANCIAL POLICY

These resources, to which should be added, on the European scope, €4.5bn in undrawn confirmed credit lines, €4.5bn in collateral eligible for ECB monetary policy operations, and EUR €7.4bn in high quality liquid assets (HQLA), allow RCI Banque to maintain the financing granted to its customers for over 12 months without access to external liquidity. At 31 December 2020, RCI Banque's liquidity reserve (Europe scope) stood at € 16.6 billion, an increase of + € 7.1bn compared to the end of 2019.

In a complex and volatile environment, the conservative financial policy implemented by the Group for several years has proved particularly sound. 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 interest rate risk remained below the group's limit of €50 million.

At 31 December 2020, a 100-basis point rise in rates would have an impact on the group's net interest margin (NIM) of:

- +€4.3 million in EUR;
- +€0.5 million in CHF;
- +€0.6 million in KRW;
- +€0.2 million in CZK;
- -€0.6 million in BRL;
- -€0.3 million in GBP;
- -€0.1 million in PLN.

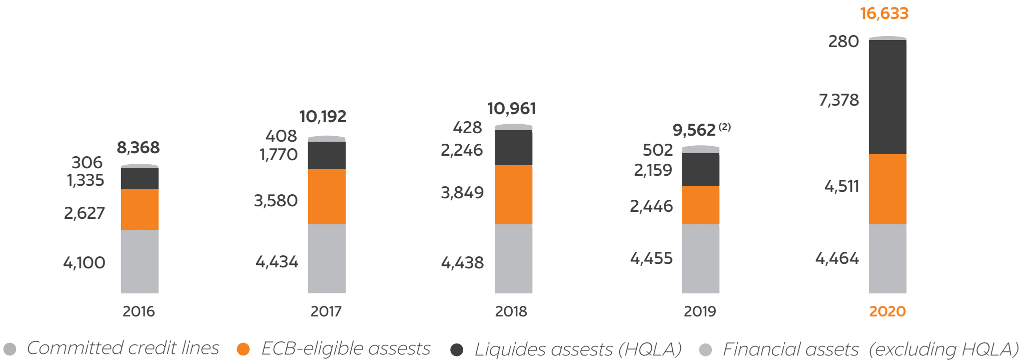
The absolute sensitivity values in each currency totaled €9.4 million.

The groupe RCI Banque's consolidated transactional foreign exchange position[1] is €5.8 million.

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

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, DIAC, Rombo Compania Financiera (Argentina), RCI Financial Services Korea Co Ltd (South Korea), Banco RCI Brasil (Brazil), RCI Finance Maroc 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 million	**A-2**	**P2**	
RCI Banque S.A.	Euro MTN Program	Euro	€23,000 million	**BBB** (negative outlook)	**Baa2** (negative outlook)	
RCI Banque S.A.	NEU CP[1] Program	French	€4,500 million	**A-2**	**P2**	
RCI Banque S.A.	NEU MTN[2] Program	French	€2,000 million	**BBB** (negative outlook)	**Baa2** (negative outlook)	
RCI Banque S.A.	Tier 2 Subordinated Notes n° 19-517	Euro	€850 million	**BB**	**Ba2** (negative outlook)	
Diac S.A.	NEU CP[1] Program	French	€1,000 million	**A-2**		
Diac S.A.	NEU MTN[2] Program	French	€1,500 million	**BBB** (negative outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000 million		**A+ (arg)** (negative outlook)	Fix Scr: **AA (arg)** (negative outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,610 billion[3]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,116 million[3]		**Aa2.br** (stable outlook)	
RCI Finance Maroc	BSF Program	Moroccan	MAD3.500 million			
RCI Finance Maroc	TIER 2 Subordinated	Moroccan	MAD68 million			
RCI Colombia S.A. Compañia de Financiamiento	Bonds	Colombian	COP300 billion[3]	**AAA.co**		
RCI Colombia S.A. Compañia de Financiamiento	CDT: Certificado de Depósito a Término	Colombian	COP617 billion[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.

AUDITORS' REPORT

31 December 2020

KPMG S.A.
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
S.A. au capital de € 5 407 100
775 726 417 R.C.S. Nanterre

Commissaire aux comptes
Membre de la compagnie régionale de Versailles

MAZARS
Tour EXALTIS
61, rue Henri Regnault
92075 Paris La Défense Cedex
S.A. à directoire et conseil de surveillance au capital de € 8 320 000
784 824 153 R.C.S. Nanterre

Commissaire aux comptes
Membre de la compagnie régionale de Versailles

RCI BANQUE S.A.

Limited company (société anonyme) with a share capital of 100 000 000 €

Registered office : 15 rue d'Uzès 75002 Paris

RCS : Paris 306 523 358

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2020

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.

Statutory auditors' report on the consolidated financial statements

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

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 S.A. for the year ended 31st December 2020.

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 2020 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 requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2020 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.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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.

Assessment of credit risk and evaluation of impairment (buckets 1, 2 and 3)

Risk identified

RCI Banque S.A. recognizes impairment losses to cover the risk of non-recovery of loans granted to retail customers and car dealers. RCI Banque S.A. applies the accounting principles of IFRS 9 "Financial Instruments" which defines a provisioning model for expected losses based on three stages of risk: on healthy outstandings (bucket 1), outstandings with a significant increase in risk since initial recognition (bucket 2) and outstandings delinquent /defaulted (bucket 3).

We consider the amount of credit loss provisioning as a key point of the audit, due to the significant amount of loans granted to retail customers and car dealers in the assets of the Group's balance sheet, the use of numerous parameters and assumptions in the calculation models and the use of judgment made by management in estimating expected credit losses.

Those assumptions are even more important in the current situation of the Covid-19 crisis which brings major economical uncertainties in the world for the years to come in spite of the governement measures taken to favor a rapid economic recovery.

The note 2 “Key Highlights” of the consolidated financial statements describes the assumptions used to estimate the impact of the Covid-19 crisis. They mainly consisted in additional provisionning on non-overdue outstanding amounts concerned by current or previous moratoriums, increasing the impairment related to the forward-looking on the customers’ segments that are mostly affected by the Covid-19 crisis and increasing the weighting of the “adverse” scenario used in the calculation of the “forward-looking” impairment.

The expected credit losses set in accordance with IFRS 9 are presented in the Note 7 to the consolidated financial statements and amount to M€ 1 086 with a gross amount of receivables of M€ 48 726.

Our audit response

Our procedures, performed with our specialists in credit risk, mainly consisted in:

- Assessing the key controls related to the governance established to validate the changes in parameters and key assumptions involved in the calculation of the expected credit loss impaiment;
- Assessing the methodologies applied to set the parameters used in the impairment models and their operationnal integration in the information systems;

- Assessing the impairment adjustments made by expertise at local and Group levels on the corporates and dealers on receivables showing higher credit risk since initial recognition (bucket 2), and receivables in default (bucket 3);
- Examining the documentation supporting the additional impairment booked to reflect the impact of the Covid-19 crisis in the cost of risk and verifying the calculation of the impairment on a sampling of contracts;
- Assessing the assumptions used to determine the prospective component of the expected credit loss (forward looking) estimation, in particular on the weighting of the scenarios;
- Testing the quality of the application program interfaces that support the calculation and accounting of the expected credit losses;
- Evaluating the staging process and most particularly the identification of the significant increase of credit risk on healthy receivables;
- Ensuring the completeness and the quality of the data used in the estimation of the provisionning;
- Carrying out analytical procedures on the evolution of retail customer and car dealer loans oustandings and credit risk impairment;
- Assessing the appropriateness of the information presented in the notes to the consolidated financial statements.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the 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

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentionnedin Article L.451-1-2,I of the French Monetary and Financial Code (code monétaire et financier).

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 29th April 2020 for Mazars.

As at 31st December 2020, KPMG S.A. and Mazars were respectively in the 7th year and 1st year of total uninterrupted engagement.

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

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

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

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

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

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

Objectives and audit approach

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

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

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report

to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the 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, 26th February 2021

The statutory auditors

KPMG S.A.	Mazars
Ulrich Sarfati *Associé*	Anne Veaute *Associée*

CONSOLIDATED FINANCIAL STATEMENTS OF THE RCI BANQUE GROUP

31 December 2020

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	**Notes**	**12/2020**	**12/2019**
Cash and balances at central banks	2	7 299	1 527
Derivatives	3	230	177
Financial assets at fair value through other comprehensive income	4	649	1 364
Financial assets at fair value through profit or loss	4	219	105
Amounts receivable at amortised cost from credit institutions	5	1 232	1 279
Loans and advances at amortised cost to customers	6 et 7	46 222	50 582
Current tax assets	8	26	16
Deferred tax assets	8	188	171
Tax receivables other than on current income tax	8	139	245
Adjustment accounts & miscellaneous assets	8	973	1 069
Investments in associates and joint ventures	9	129	142
Operating lease transactions	6 et 7	1 418	1 227
Tangible and intangible non-current assets	10	83	92
Goodwill	11	79	84
TOTAL ASSETS		**58 886**	**58 080**

LIABILITIES AND EQUITY - In millions of euros	**Notes**	**12/2020**	**12/2019**
Central Banks	12.1	2 250	2 700
Derivatives	3	84	92
Amounts payable to credit institutions	12.2	2 302	2 780
Amounts payable to customers	12.3	21 540	18 605
Debt securities	12.4	21 991	24 016
Current tax liabilities	14	143	129
Deferred tax liabilities	14	587	588
Taxes payable other than on current income tax	14	24	33
Adjustment accounts & miscellaneous liabilities	14	2 151	1 895
Provisions	15	190	185
Insurance technical provisions	15	461	488
Subordinated debt - Liabilities	17	890	867
Equity		6 273	5 702
- Of which equity - owners of the parent		*6 260*	*5 649*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*5 159*	*4 271*
Unrealised or deferred gains and losses		*(500)*	*(339)*
Net income for the year		*787*	*903*
- Of which equity - non-controlling interests		*13*	*53*
TOTAL LIABILITIES & EQUITY		**58 886**	**58 080**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2020	12/2019
Interest and similar income	25	1 928	2 196
Interest expenses and similar charges	26	(643)	(744)
Fees and commission income	27	609	605
Fees and commission expenses	27	(250)	(234)
Net gains (losses) on financial instruments at fair value through profit or loss	28	7	22
Income of other activities	29	1 039	1 028
Expense of other activities	29	(735)	(777)
NET BANKING INCOME		**1 955**	**2 096**
General operating expenses	30	(581)	(585)
Depreciation and impairment losses on tangible and intangible assets		(19)	(18)
GROSS OPERATING INCOME		**1 355**	**1 493**
Cost of risk	31	(353)	(177)
OPERATING INCOME		**1 002**	**1 316**
Share in net income (loss) of associates and joint ventures	9	19	21
Gains less losses on non-current assets		(1)	(2)
Impact of Profit & Loss for Subisidiaries in Hyperinflation Context		(15)	(8)
Goodwill impairment		(2)	
PRE-TAX INCOME		**1 003**	**1 327**
Income tax	32	(206)	(392)
NET INCOME		**797**	**935**
Of which, non-controlling interests		10	32
Of which owners of the parent		787	903
Number of shares		1 000 000	1 000 000
Net Income per share (1) in euros		787,32	902,52
Diluted earnings per share in euros		787,32	902,52

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	**12/2020**	**12/2019**
NET INCOME	**797**	**935**
Actuarial differences on post-employment benefits	(4)	(10)
Total of items that will not be reclassified subsequently to profit or loss	***(4)***	***(10)***
Unrealised P&L on cash flow hedge instruments		(14)
Exchange differences	(159)	15
Total of items that will be reclassified subsequently to profit or loss	***(159)***	***1***
Other comprehensive income	**(163)**	**(9)**
TOTAL COMPREHENSIVE INCOME	**634**	**926**
Of which Comprehensive income attributable to non-controlling interests	8	29
Of which Comprehensive income attributable to owners of the parent	626	897

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 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 defined-benefit pension plans					(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 others			(2)				(2)	(1)	(3)
Dividend for the year			(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**
Appropriation of net income of previous year			903			(903)			
Equity at 1 January 2020	**100**	**714**	**5 174**	**(299)**	**(40)**		**5 649**	**53**	**5 702**
Change in value of financial instruments recognized in equity					(2)		(2)	2	
Actuarial differences on post-employment benefits					(4)		(4)		(4)
Exchange differences				(155)			(155)	(4)	(159)
Net income for the year (before appropriation)						787	787	10	797
Total comprehensive income for the period				***(155)***	***(6)***	***787***	***626***	***8***	***634***
Effect of acquisitions, disposals and other			(4)				(4)	(1)	(5)
Dividend for the year (5)								(11)	(11)
Repurchase commitment of non-controlling interests			(11)				(11)	(36)	(47)
Equity at 31 December 2020	**100**	**714**	**5 159**	**(454)**	**(46)**	**787**	**6 260**	**13**	**6 273**

(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 2020 relates primarily to Argentina, Brazil, Colombia, South Korea, India, Morocco, Poland, Russia, Turkey, the United Kingdom and Czech Republic. At 31 December 2019, it related primarily to Argentina, Brazil, South Korea, 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 -€20m and IAS 19 actuarial gains and losses for -€26m at end-December 2020.

(5) Distribution outside the Group of dividends by companies in which non-controlling interests are held.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	**12/2020**	**12/2019**
Net income attributable to owners of the parent company	**787**	**903**
Depreciation and amortization of tangible and intangible non-current assets	18	17
Net allowance for impairment and provisions	238	92
Share in net (income) loss of associates and joint ventures	(19)	(21)
Deferred tax (income) / expense	(35)	98
Net loss / gain from investing activities	4	7
Net income attributable to non-controlling interests	10	32
Other (gains/losses on derivatives at fair value through profit and loss)	(9)	30
Cash flow	**994**	**1 158**
Other movements (accrued receivables and payables)	231	53
Total non-monetary items included in net income and other adjustments	***437***	***308***
Cash flows on transactions with credit institutions	(645)	557
- Inflows / outflows in amounts receivable from credit institutions	*(79)*	*(52)*
- Inflows / outflows in amounts payable to credit institutions	*(566)*	*609*
Cash flows on transactions with customers	5 843	(2 554)
- Inflows / outflows in amounts receivable from customers	*2 721*	*(4 210)*
- Inflows / outflows in amounts payable to customers	*3 122*	*1 656*
Cash flows on other transactions affecting financial assets and liabilities	(757)	105
- Inflows / outflows related to AFS securities and similar	*547*	*(432)*
- Inflows / outflows related to debt securities	*(1 612)*	*406*
- Inflows / outflows related to collections	*308*	*131*
Cash flows on other transactions affecting non-financial assets and liabilities	44	(38)
Net change in assets and liabilities resulting from operating activities	**4 485**	**(1 930)**
Net cash generated by operating activities (A)	**5 709**	**(719)**
Flows related to financial assets and investments	5	81
Flows related to tangible and intangible non-current assets	(10)	(14)
Net cash from / (used by) investing activities (B)	**(5)**	**67**
Net cash from / (to) shareholders	(5)	339
- Outflows related to repayment of Equity instruments and subordinated borrowings	*6*	*850*
- Dividends paid	*(11)*	*(511)*
Net cash from / (used by) financing activities (C)	**(5)**	**339**
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (D)	**(57)**	**(10)**
Change in cash and cash equivalents (A+B+C+D)	**5 642**	**(323)**
Cash and cash equivalents at beginning of year:	2 469	2 792
- Cash and balances at central banks	*1 494*	*2 018*
- Balances in sight accounts at credit institutions	*975*	*774*
Cash and cash equivalents at end of year:	8 111	2 469
- Cash and balances at central banks	*7 289*	*1 494*
- Credit balances in sight accounts with credit institutions	*1 010*	*1 110*
- Debit balances in sight accounts with credit institutions	*(188)*	*(135)*
Change in net cash (1)	**5 642**	**(323)**

(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

Groupe RCI Banque consolidated financial statements at 31 December 2020, were approved by the Board of Directors' meeting on 12 February 2021, and will be put before the annual general meeting of 20 May 2021, for approval.

Groupe RCI Banque consolidated financial statements for 2019 were approved by the Board of Directors at its meeting of 5 February 2020, and by the annual general meeting of 29 April 2020. It was decided to pay an interim dividend of €450 million on net income for 2019 to the shareholder, Renault, and to allocate an amount of €300 million to the reserve.

The decision to set aside an amount of €300 million was taken in accordance with the ECB's recommendation to banking institutions on 27 March 2020, not to distribute dividends as part of the exceptional measures related to the Covid-19 pandemic.

It was decided to pay shareholders a dividend of €69.4 million on the 2020 result, calculated in accordance with the ECB Recommendation (ECB/2020/62) on dividend distributions in the context of the Covid-19 pandemic.

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2020

- New issues of securitization funds: the French subsidiary has set up a securitization program for outstandings on Leases with Purchase Options (LOA) originating from DIAC. As part of this program, a public operation ("Cars Alliance Auto Leases France V 2020-1" compartment) backed by rent receivables was issued for an amount of €950 million (of which €200 million retained by RCI) in Class A (rated AAA by DBRS and Aaa by Moody's) and €41.5 million in Class B (rated AA (Low) by DBRS and Aa3 by Moody's). A second operation ("Cars Alliance Auto Leases Master France" compartment) was issued for an amount at origin of €474 million in Class A (rated AAA by DBRS and Aaa by Moody's), retained in full by RCI.
- Romania: RCI Leasing Romania IFN SA has decided to change its functional currency from euros to Romanian lei. This change has been in effect since 1 January 2020.

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 2020. As a reminder, in order to anticipate the consequences of Brexit, as of 14 March 2019, all of the branch's activities in the United Kingdom were transferred to a new entity, RCI Bank UK PLC, a credit institution wholly-owned by RCI Holding. No additional operations were necessary in 2020.

Exemption scheme: Extension of the activity exemption scheme for a further year (agreement signed with the trade unions on 17 December 2020)

Nissan Europe cooperation agreement:

Signature of a term sheet with Nissan Europe to define the principles of cooperation until 31 March 2025.

Italy:

The court annulled the fine imposed by the competition authority AGCM for an amount of €125 million on 24 November 2020. The AGCM has appealed the decision and the procedure is ongoing. However, in view of the elements known at the end of 2020, it was deemed that no provision is required to be recognized at this stage. There is therefore no impact on the consolidated financial statements.

Covid-19 health crisis:

The health crisis linked to the Covid-19 pandemic has impacted the global economy in 2020. In France, this crisis led to two lockdown phases during the year, leading to a slowdown in economic activity. Within the RCI group, the consequences of this event are presented below.

- Activity: Closure of concessions during lockdown
  Absence of on-the-ground recovery activity and operation of auction rooms for the resale of vehicles
- Operational: Implementation of teleworking for all employees
  Use of partial unemployment
- Effect of moratoriums on interest revenue:

The new moratoriums or extensions of moratoriums put in place after the first lockdown concern a limited number of countries (for the most part Italy, Morocco and Colombia). They provide for a full (Italy, Morocco) or partial (50% of amounts due in Colombia) postponement of monthly payments with the application of interest for the deferral period.

In accordance with IFRS 9 paragraph 5.4.3, which specifies that when the contractual cash flows of a financial asset are renegotiated or are otherwise modified, and the renegotiation or modification does not result in the derecognition of this financial asset, the entity recalculates the sum of the modified flows, discounted at the original effective interest rate, and recognizes either a gain or an expense on the modification in profit or loss. The overall analysis, country by country, where the RCI group's subsidiaries are located, did not reveal any significant revenue losses due to these changes.

Note: RCI Banque is not involved in the granting of government-guaranteed loans (PGE).

Information on outstandings subject to moratoriums

	Customers		Dealer financing		Total	
Geographical Zone	Outstandings	Provisions	Outstandings	Provisions	Outstandings	Provisions
Europe	220,0	-20,9	22,8	-0,1	242,8	-21,0
of which Germany	-	-	1,8	-0,0	1,8	-0,0
of which Spain	5,1	-2,0	-	-	5,1	-2,0
of which France	16,3	-1,4	-	-	16,3	-1,4
of which Italy	150,9	-13,2	0,2	-0,0	151,1	-13,2
of which United Kingom	8,4	-0,2	-	-	8,4	-0,2
of which other countries	39,3	-4,2	20,9	-0,1	60,2	-4,3
Eurasia	0,3	-	-	-	0,3	-
Africa-Middle East-India	24,9	-9,1	1,8	-0,0	26,7	-9,1
Asia-Pacific	2,0	0,0	-	-	2,0	0,0
Americas	16,5	-9,6	-	-	16,5	-9,6
of which Argentina	4,9	-4,3	-	-	4,9	-4,3
of which Brazil	-	-	-	-	-	-
of which Colombia	11,6	-5,4	-	-	11,6	-5,4
Total	**263,8**	**-39,6**	**24,7**	**-0,1**	**288,4**	**-39,7**

*For the dealer financings, the outstandings under 'other countries' relate primarily to Ireland (€14.5 million) and Switzerland (€5.6 million).

At the end of December, in our Customer portfolio (excluding dealers), the amount of exposures subject to deferral of unexpired payment due dates amounted to €263.8 million. Most of the moratoriums granted during the first lockdown expired during the second half of the year, in particular, €2,423 million of moratoriums granted by default[1] in France to all companies with a financed vehicle. A residual part was rescheduled. The amount of restructured receivables (forbearance) thus increased from €39 million at the end of 2019 to €368 million at the end of 2020 (for the performing portion).

The monthly payments for which the due date had been deferred were settled between the months of September and November in addition to the contractual deadline.

In the Dealer network financing activity, the amount of exposures that have been deferred and have not expired now amounts to only €25 million. Almost all of the scheduled payment deferrals granted to dealerships during the lockdown period were settled with RCI, mainly due to the resumption of vehicle sales activity in Europe. It should be noted that during the last quarter, no new widespread deferral measures were taken despite the various new partial or global lockdowns in certain countries.

After having experienced a strong deterioration in the second quarter of 2020, losses given default used to calibrate provisions recovered during the second half of the year, reaching over the year, a level in line with that observed before the Covid-19 crisis.

There was a similar trend in default rates, as government aid and moratoriums helped to mitigate the effects of the crisis and delay the occurrence of payment difficulties. For this reason, and on the basis of ECB recommendations on the identification and measurement of credit risk in the context of the coronavirus pandemic, various adjustments were made:

- on the criteria for reclassification of certain receivables to bucket 2 (receivables impaired since origination); this is an out of model adjustment;

- in the provisioning of the same receivables; this is an out of model adjustment.

These reclassifications mainly concern (see note 7):

- Corporate exposures outside the dealer network in business sectors affected by the crisis (hotels, restaurants, short term leasing, etc.) for which an individual review was carried out. The total amount of the exposures concerned amounts to €325 million, of which a large part is in France;

- customers under moratoriums for periods of more than six months. The exposures concerned amount to €185 million divided between Italy (€138 million) and Morocco (€47 million, including €28 million of expired moratoriums).

These reclassifications explain a significant portion of the increase in bucket 2, which rose from €2,916 million at the end of 2019 to €4,296 million at the end of 2020. In addition, these reclassifications do not modify the process of monitoring credit risk deterioration (see section E), since they are out of model adjustments on a population identified in the context of the covid-19 crisis.

Migration to bucket 2 during the year results in a coverage rate of the same order as that observed in 2019, which explains the stability of the overall coverage rate of outstandings.

Furthermore, the estimate of the forward-looking provision was completed for customer segments deemed particularly affected by the crisis. In the absence of any late payments, the segments concerned were retained in their original bucket. These all relate to Retail exposures on clients operating in business sectors particularly affected by the crisis, but for which an individual analysis was not possible. The outstandings concerned amount to €1,775 million. Once again, the adjustment made was to bring the provisioning rate to the rate recorded for the outstandings of the same segments recognized in bucket 2.

In total, the provisioning rate for bucket 2 increased from 5.3% to 6% as a result of changes in risk parameters, while the provisioning rate for bucket 3 increased from 65.3% to 66.0% between end of 2019 and the end of 2020. As for bucket 1, the forward-looking adjustment led to a significant increase from 0.26% for exposures in this category to 0.40% at the end of 2020.

[1] Moratorium granted systematically and by default to all Diac and Diac Location corporate customers to relieve customer relationship management platforms during the first days of lockdown. Customers not wishing to benefit from these payment extensions were able to request the maintenance of their contractual schedule.

On the insurance business, the impact related to the covid-19 crisis is easier to see on death and employment cover. Thus, at the end of December 2020, there were 166 claims relating to the first wave[2] for a total amount of €1.6 million. The impact of this first wave is therefore less pronounced than expected, even though the average payout was higher.

Concerning the second wave, two main observations should be noted:

- across all countries, after reaching the peak of the wave, we are seeing a much slower deceleration in the death curve than in the first wave.
- In addition, in Germany, this second wave is much more lethal than the first.

There are 300 claims for a total compensation amount of €2 million.

Regarding the impact of the provisioning for job loss, in 2020, we recorded an additional expense of €3.5 million for job loss coverage to anticipate the potential effects of an economic crisis. At this stage, no significant increase in losses has been observed, and an increase in the impact of claims on this guarantee has only been observed in Germany.

It should be noted that policies for job losses do not cover partial unemployment.

In short, the Group considers that the surplus reserves (death and loss of employment) set up in 2020 are sufficient to absorb the impact of the Covid-19 crisis on the accounts of the insurance subsidiaries.

➢ Impairment tests

Impairment tests revealed an indication of impairment on goodwill held on RCI Financial Services, S.r.o, in the Czech Republic. This impairment loss of €2 million, the difference between the recoverable value and the carrying amount, was recognized by an impairment in the 2020 financial statements (see part B and note 11).

No other indication of loss of value (or gain resulting from an acquisition on advantageous terms) on other financial assets was detected.

Note: the methodology applied to carry out the impairment tests is unchanged compared to the closing date in 2019.

➢ Cost of risk

IFRS 9 introduces the notion of "forward looking" into the credit risk-related expected loss (ECL) calculation. Through this notion, new requirements in terms of monitoring and measuring credit risk are introduced with the use of forward-looking data, in particular macroeconomic data. The principles for calculating provisions for credit risk are described in Section 4.3.3.5.

Losses given default used to calibrate provisions were impacted by the health crisis, as the recovery and sales of seized vehicles came to a virtual standstill during the lockdown period. The increase in LGDs led to an increase in the provisioning rate of receivables impaired since origination (B2), which rose from 5.3% to 6.0%, with the rate of coverage of performing receivables (B1) increasing from 0.5 to 0.7%. The proportion of defaulted receivables rose slightly to 1.6% of outstandings, compared to 1.3% at the end of 2019, with their provisioning rate rising very slightly. These elements lead to an increase in provisions for credit risk.

In total, provisions for impairment increased by €204 million compared to December 2019, including €86 million for the forward-looking update. The €86 million breaks down as follows:

- €41 million for the update of the scenario weighting;
- €45 million for the collective provision for economic players in sectors most affected by the Covid-19 crisis.

This increase is mainly due to the impact of Covid-19.

The breakdown of transactions with customers and the provisions associated with each IFRS 9 classification are detailed in Notes 7 and 24.

[2] We estimate that all deaths occurring before 30 September 2020 fall within the first wave

<u>Significant assumptions for IFRS 9 expected loss calculations</u>:

- **Forward-looking**

  In the absence of reliable projections to incorporate the impacts of Covid-19 into the forward-looking assumptions used to calculate Expected Credit Losses, ESMA recommends, in light of past data and taking into account government intervention, allocation of a preponderant weighting to the scenario of stability of the long-term economic environment. In line with ESMA guidelines, RCI Banque has reinforced the preponderance of the "stability" scenario while increasing the weighting of the "adverse" scenario and sharply reducing that of the "baseline" scenario (the most optimistic) compared to the level retained at 31 December 2019. This approach, taken in the first half of 2020, was strengthened in the second half. More specifically, the weighting of the adverse scenario was increased from 12% at the end of 2019, to 20% in June 2020, and then to 24% at 31 December 2020.

  At Group level, based on the 2020 scenarios and the ECLs by bucket at the end of 2020, the increase in the weighting of the "adverse" scenario by one point versus the "baseline" scenario generates an allocation of €4.9 million (€3.7 million on the retail business and €1.2 million on the Dealer network financing business).

  In addition, the statistical estimate of the forward-looking provision on customer activity was supplemented for segments deemed particularly affected by the crisis (hotels, catering, short-term leasing, etc.).

  These measures led to an increase of €86 million in forward-looking provisions, mainly attributable to customer activity.

- **Provisions for appraisal moratoriums**

  In respect of provisioning, an additional provision was applied to exposures that were deferred during lockdown periods, whether or not these exposures were downgraded to forbearance. The method used consisted in covering the non-defaulted outstandings, that were subject to active or expired moratoriums, at the average bucket 2 coverage rate according to the IFRS 9 methodology in place. At the end of December, the adjustment represented an expense of €39 million on outstanding customer loans still subject to moratoriums of €3.5 billion to date, of which €263.8 million are still in the moratorium phase. When the moratoriums were put in place without invoicing the interest on the deferred payments, a downgrading of outstandings to bucket 2 and forborne status was carried out for a value of €186 million to date.

- **Sector approach**

  The main sectors of activity used are the hotel and catering sector, which together account for less than 1% of exposures, and short-term leasing, which conversely accounts for nearly 3% of customer loans. This list was occasionally supplemented by a number of sectors specific to certain countries. In the selected sectors, the provisioning rate for bucket 1 exposures was supplemented to bring it to the rate applied to bucket 2, this adjustment representing an additional €45 million.

- **Specific details relating to the ECL model**

  The statistical models are based on the history of payment and defaulting behaviour observed over the recent past. Typically, recent history underestimates the risk of default of companies operating in the sectors most affected by the crisis, as government support measures and payment extensions have been effective.

  On the internal models using the advanced approach for the retail portfolio, a recalibration of the IFRS 9 bucketing was carried out, leading to a slight increase in bucket 2 outstandings and provisions (€9 million).

- **Classification of assets by bucket following ESMA recommendations**

  Downgrading from one bucket to another (and in particular from bucket 1 to bucket 2) should not be systematic on account of forbearance, instead counterparties should be analyzed (on an individual or collective basis) to differentiate those suffering real deterioration in their credit risk over the life of the assets and from those only encountering "temporary liquidity problems".

  In the groupe RCI Banque, this analysis was carried out on a case-by-case basis without resorting to systematic downgrading (see section E and note 7.1).

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 2020 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) at 31 December 2020 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 2020.

➢ **New regulations that must be applied at 1 January 2020**

Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate reform - Phase 1
Amendments to IAS 1 and IAS 8	Definition of 'material'
Amendment to IFRS 3	Definition of a business
Conceptual framework	Modification of references to the Conceptual Framework in IFRS

The application of these standards and amendments from January 1, 2020, has no significant effect on the Group's financial statements.

Other standards applied by the Group from 1 January 2020
From 1 January 2020, the Group applies IFRS 9 phase 3 on hedge accounting. The Group opted for deferred application of IFRS 9 phase 3 as permitted by law when the standard came into force on 1 January 2018. Thus, this application currently has no material impact on the Group's financial statements but allows the classification of synthetic sets composed of a debt and a derivative as hedged items.

In view of the IFRIC decision issued in March 2020 on the classification of the effects of indexation and the conversion of the financial statements of subsidiaries in hyperinflationary economies, the Group concluded that the combination of the effects of indexation and the conversion meets the definition of an exchange rate difference within the meaning of IAS 21 - The effects of changes in foreign exchange rates, since the indexation in application of changes in price increase indices is correlated with the change in the exchange rate of the Argentine peso against the euro and mitigates the effect of the devaluation of the Argentine peso.

➢ **New text published by the IASB for application in 2020 and published in the Official Journal of the European Union**

IFRS 16	Amendment to IFRS 16 "Covid-19-related rent concessions"

On 28 May 2020, the IASB published an amendment to IFRS 16 "Covid-19-related rent concessions" with an effective date of 1 June, 2020, which was approved by the European Union on 9 October 2020. The text proposes an optional exemption for lessees which makes it possible to recognize in profit or loss the reductions in rents obtained at the time of the conclusion of reduction agreements with lessors. This measure applies to lease payments initially due on or before 30 June 2021. Lessees can choose to apply the unamended provisions of IFRS 16, which consist in carrying out a detailed analysis of the concession agreements and treating them as contract amendments, where applicable. The reductions from which the Group benefited had no significant impact.

- **Published standards and amendments applied early**

Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 16 and IFRS 4	Interest rate reform - Phase 2	01/01/2021

IBOR interest rate reform

At 31 December 2020, the groupe RCI Banque has applied, by anticipation, the amendments to IAS 39, IFRS 9 and IFRS 7 relating to phase 2 of the interest rate benchmark reform.

The remuneration of the margin call account with clearing houses changed from EONIA to €STER in July 2020. Application of these amendments allows the RCI group to modify the effective interest rate of this financial instrument prospectively without any immediate impact on the income statement.

As of 31 December 2020, no other financial instrument traded with a counterparty external to the RCI group had been renegotiated on account of the interest rate reform. The Group has signed up to the "ISDA 2020 Fallbacks Protocol" governing fallback clauses.

The RCI group has also distinguished the different reference rates used in interest rate hedging relationships and affected by the reform: EURIBOR, GBP LIBOR and CHF LIBOR.

- The Group considers that it has no uncertainty regarding the future of the EURIBOR index, which is in compliance with the European Benchmark Regulation.
- At 31 December 2020, the RCI group qualified interest rate swaps in fair value hedging relationships for a nominal amount of CHF 300 million (variable rate indexed to the CHF LIBOR) and a nominal amount of GBP 100 million (variable rate indexed to the GBP LIBOR).

Risk hedging strategies have not yet been modified by the transition to the new benchmarks.

The early application of these amendments has no impact on the Group's financial statements at 31 December 2020.

- **Published standards and amendments not yet applicable**

Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 16 and IFRS 4	Interest rate reform - Phase 2	01/01/2021
Amendment to IAS 37	Onerous contracts - cost of fulfilling a contract	01/01/2022
Amendment to IFRS 3	Reference to the Conceptual Framework	01/01/2022
Improvement of the IFRS cycle 2018-2020	Standards concerned: IFRS 9, Derecognition of a financial liability: fees and commissions to be included in the 10% test IFRS 16 Lease incentives	01/01/2022
Amendment to IAS 16	Property, plant and equipment - Proceeds before intended use	01/01/2022
IFRS 17	Insurance contracts	01/01/2023

At this stage, the Group intends to apply the interest rate reform - phase 2 early. The other standards are therefore not applied in the financial statements at the end of December 2020.

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 SA, RCI FS Ltd and the Italian and German branches for which groupe RCI Banque has retained the majority of the risks and rewards, 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 €165 million at 31 December 2020, compared with €151 million at 31 December 2019. 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.

Details of subsidiaries in which non-controlling interests are significant are detailed in note B.

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.

Given the context of the specific decree and the impacts related to Covid-19, changes were made to the judgments and assumptions used compared to December 2019, concerning:

- **Forward-looking** (see the paragraph "Cost of risk" in section 2. KEY HIGHLIGHTS)
- **Provision estimation models**:
  The analysis of the impact of the Covid-19 health crisis has not led to any changes in the estimation models. However, the parameters used in the models have been updated to take into account the impacts of Covid-19.

In addition to the two points above, the main areas of judgment and estimation in the preparation of the consolidated financial statements remain the same.

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".

Significant deterioration in risk (definition of bucketing):

Each loan or receivable, at the reporting date, is classified in a risk category depending on whether or not it has suffered significant deterioration in credit risk since its initial recognition. This classification depends on the level of the provision for expected impairment to be recognized for each instrument:

- Bucket 1: no deterioration or insignificant deterioration in credit risk since origination;
- Bucket 2: significant deterioration in credit risk since origination or non-investment grade financial counterparty
- Bucket 3: deterioration such that the loss is proven (category of default).

This segmentation of outstandings by risk level, required under IFRS 9, is integrated into the credit risk monitoring and management processes of the Group's entities and implemented in the operating systems.

The origination date is defined at the level of each loan or receivable and not at the level of the counterparty (e.g. date of entry into relationship).
The origination date is defined as follows:

- for irrevocable financing commitments, the origination date is the date of signature of the commitment or, for Dealer network financing commitments, the date of the last review of the limits
- for outstandings on conventional loans, finance or operating leases, the date of origination is the date of the transition to management, i.e. the date on which the treatment of the financing commitment changes, and the receivable is recorded on the balance sheet.
- for Dealer network "single account" loan outstandings, the origination date will correspond to the date of the last transfer to the debit balance.
- for securities, the origination date corresponds to the purchase date

Identifying credit risk

The RCI Banque group currently uses a number of different internal rating systems:

- a group-wide rating for borrowers in the Dealer segment, which is used during the various phases of the relationship with the borrower (initial approval, risk monitoring, provisioning),
- a group-wide rating for bank counterparties, which is established on the basis of external ratings and each counterparty's level of capital,
- For the "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:

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

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 decision to take the existing doubtful/compromised debt accounting notion 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, RCI Banque group 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 RCI Banque group 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 RCI Banque group entity at the end of the lease are classified as operating leases since most of the risks and rewards are not transferred to a third party outside the group. The classification as operating leases of lease contracts that contain a buy-back commitment from RCI Banque group also takes into account the estimated term of such leases. This lease term is far shorter than the economic life of the vehicles, which is put by the 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 RCI Banque group retains the risks and rewards incidental to ownership throughout the automobile life of the batteries, which is put at between eight and ten years, and so is much longer than the lease agreements.

Operating leases are recognized as non-current assets leased out and are carried on the balance sheet at the gross value of the assets less depreciation, plus lease payments receivable and transaction costs still to be staggered. Lease payments and impairment are recognized separately in the income statement in "Net income (expense) of other activities". Depreciation does not take into account residual values and is taken into the income statement on a straight-line basis, as are transaction costs. Classification as an operating lease does not affect the assessments of counterparty risk and residual value risk.

Income from the resale of vehicles at the end of operating lease contracts is included in « Net income (or expense) of other activities ».

G) Transactions between the RCI Banque group and the Renault-Nissan Alliance

Transactions between related parties are conducted following terms equivalent to those prevailing in the case of transactions subject to conditions of normal competition if these terms can be substantiated.

The RCI Banque group helps to win customers and build loyalty to Renault-Nissan Alliance brands by offering financing and providing services as an integral part of the Alliance's sales development strategy.

The main indicators and cash flows between the two entities are as follows:

Sales support

At 31 December 2020, the RCI Banque group had provided €17,858m in new financing (including cards) compared with €21,443m at 31 December 2019.

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 2020, dealer financing net of impairment allowances amounted to €8,894m against €11,645m at 31 December 2019.

At 31 December 2020, €1,152m was finance directly granted to subsidiaries or branches of Groupe Renault against €874m at 31 December 2019.

At 31 December 2020, the dealer network had received, as business introducers, remuneration of €792m against €964m at 31 December 2019.

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 2020, this contribution amounted to €501m against €643m at 31 December 2019.

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 FCPs (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 group, 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:

<u>Defined benefit plans:</u>

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.

<u>Defined contribution plans:</u>

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.

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 has access to the bond markets in multiple currencies, whether to finance European assets or to support its development outside Europe.

Recourse to funding through securitization transactions in private and public format also helps to expand the investor base.

Lastly, the deposit collection activity, launched in February 2012, completes this diversification and strengthens the long-term structural liquidity ratio (NSFR).

Oversight of RCI Banque's liquidity risk takes into account EBA recommendations on the Internal Liquidity Adequacy Assessment Process (ILAAP) and is based on the following components:

- **Risk appetite:** This component is determined by the Board of Directors' Risk Committee.

- **Refinancing:** The funding plan is constructed with a view to diversifying access to liquidity by product, by currency and by maturity. Funding requirements are regularly reviewed and clarified so that the funding plan can be adjusted accordingly.

- **Liquidity reserve:** The company's aim is to have available at all times a liquidity reserve consistent with its appetite for liquidity risk. The liquidity reserve consists of confirmed lines of credit, assets eligible as collateral in European Central Bank monetary policy transactions, High Quality Liquid Assets (HQLA), and financial assets. It is reviewed every month by the 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

Following the implementation of lockdowns in almost all the countries in which RCI Banque is present, priority has been given to restoring operations for the recovery of affected and doubtful loans.
The transition to teleworking was initially accompanied by a loss of efficiency, which was gradually corrected. The number of employees dedicated to these activities has been increased, both for internal staff and for the resources assigned to the RCI Banque activity for collection service providers.

In countries that have granted a significant number of payment extensions, an additional increase in the workforce has been made (in France and Brazil in particular) or is planned before the end of the moratoriums (in Italy, for example).

With regard to acceptance risk, an action plan has been drawn up in anticipation of the expected deterioration of the economic environment. After estimating this deterioration potential country by country, a plan to maintain the profitability of production was built around three axes:

- The implementation of additional controls and specific grant policies by business sector (corporate client or employer of an individual client)
- Downward adjustment of probability of default targets
- The increase in pricing, mainly in South American countries where the practice of risk-based pricing is widespread.

As the economic outlook remains uncertain, the management of the acceptance policy will continue to be adjusted regularly according to the observed risk as well as forecasts and stress in the main countries by market (retail, corporate).

Despite a very unfavorable environment, RCI Banque's objective is to maintain its overall credit risk at a level compatible with the expectations of the financial community and its 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

Financial counterparty risk arises from the investment of cash surpluses, invested in the form of short-term bank deposits with leading banks, investments in money market funds, the purchase of bonds issued by governments, supranational issuers, government agencies, and corporate bonds with an average duration of less than one year at 31 December 2020.

All these investments are made with counterparties of superior credit quality previously authorized by the Finance Committee. RCI Banque pays close attention to diversifying its counterparties.

Furthermore, to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque 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 the securities portfolio was less than one year.

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

In addition, interest rate or foreign exchange hedging transactions using derivatives may expose the Company to counterparty risk. In Europe, where the Group is subject to EMIR regulations, derivatives are subject to counterparty risk mitigation techniques through bilateral collateral exchange or registration in a clearing house. Outside Europe, the Group pays close attention to the credit quality of the bank counterparties it uses for derivatives.

Macroeconomic environment

The Covid-19 health crisis has profoundly affected economies and markets throughout 2020. Governments and central banks quickly took action to avoid a major and lasting economic crisis.

Initially concentrated in China and Asia, the Coronavirus epidemic spread worldwide. Between March and April 2020, fears of a health crisis led many countries to introduce strict lockdown measures. These measures have had a major impact on economic activity and consumption. To prevent this health crisis from triggering a major economic crisis, the main central banks took extensive monetary policy measures.

In the United States, the Federal Reserve has reactivated an asset purchase program comprising government bonds, municipal bonds, corporate bonds, mortgage securities and securitization bonds for a total amount of USD 2.6 trillion. It also reduced the Fed Funds rate to 0-0.25%, i.e. a drop of 150 bps since early March, and announced plans to keep them at a level close to zero until at least 2022. In July, the institution modified its long-term policy to reach an average target interest rate of 2% and allow monetary flexibility aimed at regaining a full employment market.

The European Central Bank has introduced a new emergency purchasing program in response to the pandemic. Initially announced for €750 billion, the Pandemic Emergency Purchase Program, or PEPP, was subsequently increased to €1.85 trillion. TLTRO III terms were also eased with a reduction in the rate and a downward recalibration of the growth targets that banks must achieve in order to benefit from the subsidized rate. In July, the 27 European countries also reached agreement on a €750 billion recovery plan, split between €390 billion in subsidies and €360 billion in loans intended to finance post-pandemic recovery efforts.

The Bank of England followed in the footsteps of the FED and the ECB, lowering its base rate in two stages from 75 bps to 10 bps, and increased its purchase program for government and non-banking investment grade corporate bonds by GBP 200 billion in March 2020.

Nevertheless, equity indexes fell sharply in February and March and credit spreads widened significantly.
During the second half of the year, marked by the end of lockdowns, market conditions gradually normalized before experiencing a temporary rise in risk aversion linked to the resurgence of the health crisis at the end of October. The election of a new Democratic President in the USA in early November and the growing hopes for the development of an effective vaccine against Covid-19 led to a sharp rebound in equity markets as well as a tightening of risk premiums on the bond market. The agreement reached on the conditions of Brexit and the start of Covid-19 vaccination campaigns also supported the markets in early 2021.

After a low of -36%, the Euro Stoxx 50 index ended the year down -5%. At the same time, credit spreads on corporate bonds (IBOXX Corporate index) experienced similar volatility, rising from 70 bps in January to 200 bps at the end of March, before ending the year at 74 bps.

5. REFINANCING

During the year, the use of market financing was modest and the Company was barely impacted by the increase in financing costs. This situation is the result of fewer bonds falling due in 2020 than in previous years (anticipation of the refinancing of the TLTRO II launched in 2016), the slowdown in automotive sales and the resulting decline in new loan volumes.

Deposits from retail customers increased by €2.8 billion since December 2019, reaching €20.5 billion at 31 December 2020, and representing 43% of net assets at the end of December.

In the secured refinancing segment, private securitizations of car loans in the United Kingdom and leasing in Germany saw their revolving periods extended for an additional year. The French subsidiary also carried out its first securitization of automotive Lease with Purchase Option (LOA) receivables in France for an amount of €991.5 million, split between €950 million in senior securities (including 200 million underwritten itself) and €41.5 million in subordinated notes.

A fixed-rate bond issue of €750 million over seven years was carried out in January.

These resources, plus, on the Europe scope, €4.5 billion in undrawn confirmed bank lines, €4.5 billion in collateral eligible for ECB monetary policy operations, and EUR €7.4 billion in highly liquid assets (HQLA), allow RCI Banque to maintain the financing granted to its customers for over 12 months without access to external 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 2020, the ratios calculated do not reveal any non-compliance with regulatory requirements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Segment information

1.1 - Segmentation by market

In millions of euros	Customer	Dealer financing	Other	Total 12/2020
Average performing loan outstandings	36 392	9 329		45 721
Net banking income	1 564	229	162	1 955
Gross operating income	1 117	180	58	1 355
Operating income	781	163	58	1 002
Pre-tax income	783	162	58	1 003

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

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	2020	42 635	34 128	8 507
	2019	45 413	34 488	10 925
of which Germany	*2020*	*8 361*	*7 002*	*1 359*
	2019	8 418	6 805	1 613
of which Spain	*2020*	*4 120*	*3 492*	*628*
	2019	4 797	3 762	1 035
of which France	*2020*	*15 993*	*12 262*	*3 731*
	2019	15 579	11 788	3 791
of which Italy	*2020*	*5 620*	*4 873*	*747*
	2019	6 297	4 946	1 351
of which United-Kingdom	*2020*	*4 116*	*3 440*	*676*
	2019	4 781	3 800	981
of which other countries (2)	*2020*	*4 425*	*3 059*	*1 366*
	2019	5 541	3 387	2 154
Africa, Middle East, India and Pacific	2020	2 072	1 973	99
	2019	2 168	2 036	132
of which South Korea	*2020*	*1 569*	*1 566*	*3*
	2019	1 605	1 588	17
America	2020	2 157	1 879	278
	2019	3 145	2 572	573
of which Argentina	*2020*	*123*	*75*	*48*
	2019	*189*	*97*	*92*
of which Brazil	*2020*	*1 498*	*1 311*	*187*
	2019	*2 470*	*2 038*	*432*
of which Colombia	*2020*	*536*	*493*	*43*
	2019	*486*	*437*	*49*
Eurasia	2020	331	321	10
	2019	318	303	15
Total RCI Banque group	**2020**	**47 195**	**38 301**	**8 894**
	2019	**51 044**	**39 399**	**11 645**

(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	12/2020	12/2019
Cash and balances at central banks	**7 289**	**1 494**
Cash and balances at Central Banks	7 289	1 494
Term deposits at Central Banks	**10**	**33**
Accrued interest	10	33
Total cash and balances at central banks	**7 299**	**1 527**

Note 3 : Derivatives

In millions of euros	12/2020		12/2019	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**12**	**12**	**3**	**16**
Interest-rate derivatives	3	4	1	5
Currency derivatives	9	8	2	11
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**218**	**72**	**174**	**76**
Interest-rate and currency derivatives: Fair value hedges	211		162	3
Interest-rate derivatives: Cash flow hedges	7	72	12	73
Total derivatives	**230**	**84**	**177**	**92**

"Other derivatives" include the credit risk adjustment of +€0.5 million at 31 December 2020, broken down into income of +€0.6 million in respect of DVA and an expense of -€0.1 million in respect of the CVA.
The CVA/DVA adjustment covers the counterparty risk generated by the non-netted derivatives.

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 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)**	
Changes in fair value recognized in equity	(8)			
Transfer to income statement	6			
Balance at 31 December 2020	**(22)**	**(3)**	**(19)**	

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 12/2020	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	735			735	
Purchases	738			738	
Spot forex transactions					
Loans	1			1	
Borrowings	1			1	
Currency swaps					
Loans	64	216		280	
Borrowings	63	222		285	
Hedging of interest-rate risk					
Interest rate swaps					
Lender	7 165	12 806	2 150	22 121	
Borrower	7 165	12 806	2 150	22 121	

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	

Note 4 : Financial assets

In millions of euros	12/2020	12/2019
Financial assets at fair value through other comprehensive income	**649**	**1 364**
Government debt securities and similar	404	1 066
Bonds and other fixed income securities	244	297
Interests in companies controlled but not consolidated	1	1
Financial assets at fair value through profit or loss	**219**	**105**
Variable income securities	25	22
Bonds and other fixed income securities	191	80
Interests in companies controlled but not consolidated	3	3
Total financial assets (*)	**868**	**1 469**
(*) Of which related parties	*4*	*4*

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	12/2020	12/2019
Credit balances in sight accounts at credit institutions	**1 010**	**1 110**
Ordinary accounts in debit	968	1 073
Overnight loans	42	37
Term deposits at credit institutions	**222**	**169**
Term loans in bucket 1	162	109
Term loans in bucket 2	60	60
Total amounts receivable from credit institutions (*)	**1 232**	**1 279**
(*) Of which related parties	*60*	*60*

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 €670m at year-end 2020 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	12/2020	12/2019
Loans and advances to customers	**46 222**	**50 582**
Customer finance transactions	32 314	37 143
Finance lease transactions	13 908	13 439
Operating lease transactions	**1 418**	**1 227**
Total customer finance transactions and similar	**47 640**	**51 809**

The gross value of restructured outstandings (including non-performing), following all measures and concessions to borrowing customers who encounter (or are likely in future to encounter) financial difficulties, amounts to €446 million at 31 December 2020, compared to €127 million at 31 December 2019. It was impaired in the amount of €78 million at 31 December 2020, compared with €47 million at December 31, 2019. The share of restructuring related to Covid-19 amounted to €66 million, mainly for Customers and was subject to impairment for a total of €18 million.

6.1 - Customer finance transactions

In millions of euros	12/2020	12/2019
Loans and advances to customers	**32 530**	**37 243**
Healthy factoring	228	502
Factoring with a significant increase in credit risk since initial recognition	7	44
Other healthy commercial receivables	5	3
Other healthy customer credit	29 206	33 598
Other customer credit with a significant increase in credit risk since initial recognition	2 268	2 005
Healthy ordinary accounts in debit	337	617
Defaulted receivables	479	474
Interest receivable on customer loans and advances	**49**	**91**
Other non-defaulted customer credit	40	46
Non-defaulted ordinary accounts	5	41
Defaulted receivables	4	4
Total of items included in amortized cost - Customer loans and advances	**495**	**447**
Staggered handling charges and sundry expenses - Received from customers	(70)	(61)
Staggered contributions to sales incentives by manufacturer or dealers	(431)	(542)
Staggered fees paid for referral of business	996	1 050
Impairment on loans and advances to customers	**(760)**	**(638)**
Impairment on healthy receivables	(153)	(119)
Impairment on receivables with a significant increase in credit risk since initial recognition	(157)	(120)
Impairment on defaulted receivables	(359)	(320)
Impairment on residual value	(91)	(79)
Total customer finance transactions, net	**32 314**	**37 143**

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	12/2020	12/2019
Finance lease transactions	**14 141**	**13 605**
Other healthy customer credit	11 694	12 140
Other customer credit with a significant increase in credit risk since initial recognition	2 170	1 277
Defaulted receivables	277	188
Accrued interest on finance lease transactions	**20**	**14**
Other non-defaulted customer credit	19	13
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	**47**	**24**
Staggered handling charges	62	68
Staggered contributions to sales incentives by manufacturer or dealers	(325)	(337)
Staggered fees paid for referral of business	310	293
Impairment on finance leases	**(300)**	**(204)**
Impairment on healthy receivables	(46)	(33)
Impairment on receivables with a significant increase in credit risk since initial recognition	(111)	(55)
Impairment on defaulted receivables	(142)	(115)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**13 908**	**13 439**

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 12/2020
Finance leases - net investment	6 332	7 833	43	14 208
Finance leases - future interest receivable	417	393	4	814
Finance leases - gross investment	**6 749**	**8 226**	**47**	**15 022**
Amount of residual value guaranteed to RCI Banque group	4 083	4 558		8 641
Of which amount guaranteed by related parties	*2 680*	*2 233*		*4 913*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	4 069	5 993	47	10 109

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

6.3 - Operating lease transactions

In millions of euros	12/2020	12/2019
Fixed asset net value on operating lease transactions	**1 426**	**1 251**
Gross value of tangible assets	1 914	1 619
Depreciation of tangible assets	(488)	(368)
Receivables on operating lease transactions	**18**	**16**
Non-defaulted receivables	12	11
Defaulted receivables	9	8
Income and charges to be staggered	(3)	(3)
Impairment on operating leases	**(26)**	**(40)**
Impairment on non-defaulted receivables		(1)
Impairment on defaulted receivables	(7)	(6)
Impairment on residual value	(19)	(33)
Total operating lease transactions, net (*)	**1 418**	**1 227**
(*) Of which related parties	*(1)*	*(1)*

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

In millions of euros	12/2020	12/2019
0-1 year	119	225
1-5 years	238	194
+5 years	73	39
Total	**430**	**458**

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 2020, the RCI Banque group's maximum aggregate exposure to credit risk stood at €60,209m against €59,549m at 31 December 2019. 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	12/2020	of which non-defaulted (1)	12/2019	of which non-defaulted (1)
Between 0 and 90 days	608	381	713	503
Between 90 and 180 days	65		70	
Between 180 days and 1 year	49		44	
More than one year	67		50	
Receivables due	**789**	**381**	**877**	**503**

(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 2020, guarantees held on doubtful or delinquent receivables totaled €866m, against €821m at 31 December 2019.

6.5 - Residual values of risk carried by RCI Banque

The total risk on residual values carried by the RCI Banque group amounted to €1,810m at 31 December 2020 against €1,935m at 31 December 2019. A provision was made in the amount of €98 million at 31 December 2020, for the residual value risk borne for vehicles (mainly concerns the United Kingdom). The provision for residual value risk borne is a provision that covers the loss of value borne by the RCI Group on the resale of a vehicle.

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 12/2020
Gross value	**39 272**	**9 007**	**447**	**48 726**
Healthy receivables	34 399	8 658	446	43 503
On % of total receivables	*87,6%*	*96,1%*	*99,8%*	*89,3%*
Receivables with a significant increase in credit risk since initial recognition	4 169	284		4 453
On % of total receivables	*10,6%*	*3,2%*		*9,1%*
Defaulted receivables	704	65	1	770
On % of total receivables	*1,8%*	*0,7%*	*0,2%*	*1,6%*
Impairment allowance	**(971)**	**(113)**	**(2)**	**(1 086)**
Impairment on healthy receivables	(245)	(63)	(2)	(310)
On % of total impairment	*25,2%*	*55,8%*	*100,0%*	*28,5%*
Impairment on receivables with a significant increase in credit risk since initial recogni	(251)	(17)		(268)
On % of total impairment	*25,8%*	*15,0%*		*24,7%*
Impairment on defaulted receivables	(475)	(33)		(508)
On % of total receivables	*48,9%*	*29,2%*		*46,8%*
Coverage rate	***2,5%***	***1,3%***	***0,4%***	***2,2%***
Healthy receivables	*0,7%*	*0,7%*	*0,4%*	*0,7%*
Receivables with a significant increase in credit risk since initial recognition	*6,0%*	*6,0%*		*6,0%*
Defaulted receivables	*67,5%*	*50,8%*		*66,0%*
Net value (*)	**38 301**	**8 894**	**445**	**47 640**
(*) Of which: related parties (excluding participation in incentives and fees paid	*13*	*1 152*	*238*	*1 403*

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
On % of total receivables	*91,0%*	*96,8%*	*99,6%*	*92,4%*
Receivables with a significant increase in credit risk since initial recognition	3 034	299		3 333
On % of total receivables	*7,6%*	*2,5%*		*6,3%*
Defaulted receivables	596	76	3	675
On % of total receivables	*1,5%*	*0,6%*	*0,4%*	*1,3%*
Impairment allowance	**(779)**	**(102)**	**(1)**	**(882)**
Impairment on healthy receivables	(207)	(58)	(1)	(266)
On % of total impairment	*26,6%*	*56,9%*	*100,0%*	*30,2%*
Impairment on receivables with a significant increase in credit risk since initial recogni	(165)	(10)		(175)
On % of total impairment	*21,2%*	*9,8%*		*19,8%*
Impairment on defaulted receivables	(407)	(34)		(441)
On % of total receivables	*52,2%*	*33,3%*		*50,0%*
Coverage rate	***1,9%***	***0,9%***	***0,1%***	***1,7%***
Healthy receivables	*0,6%*	*0,5%*	*0,1%*	*0,5%*
Receivables with a significant increase in credit risk since initial recognition	*5,4%*	*3,3%*		*5,3%*
Defaulted receivables	*68,3%*	*44,7%*		*65,3%*
Net value (*)	**39 399**	**11 645**	**765**	**51 809**
(*) Of which: related parties (excluding participation in incentives and fees paid	*24*	*874*	*589*	*1 487*

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

Note 7.1 : Change of customer finance transactions

In millions of euros	12/2019	Increase (1)	Reclas. (2)	Decrease (3)	12/2020
Healthy receivables	48 683	55 622	(2 261)	(58 541)	43 503
Receivables with a significant increase in credit risk since initial r	3 333		1 961	(841)	4 453
Defaulted receivables	675		300	(205)	770
Customer finance transactions (GV)	**52 691**	**55 622**		**(59 587)**	**48 726**

(1) Increase = New production

(2) Reclassification = Transfert beetwen buckets

(3) Decrease = Neimbursement, disposals or writte-off

Note 7.2 : Change of impairments of customer finance transactions

In millions of euros	12/2019	Increase (1)	Decrease (2)	Variations (3)	Other (4)	12/2020
Impairment on healthy receivables (*)	266	156	(114)	23	(21)	310
Impairment on receivables with a significant increase in credit ris	175	41	(42)	106	(12)	268
Impairment on defaulted receivables	441	56	(199)	224	(14)	508
Impairments of customer finance transactions	**882**	**253**	**(355)**	**353**	**(47)**	**1 086**

(1) Increase = Allowance due to new production

(2) Decrease = Reversal of allowance due to reimbursement, disposals or writte-off

(3) Variations = Variation due to risk criteria adjustments (PD, LGD, ECL, Bucket...)

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

Note: increases (1), decreases (2), and variations (3) are accounted for in the income statement under Net banking income or cost of risk.

Other movements (4) are balance sheet changes only.

(*) Impairment on performing receivables includes impairments on residual values (vehicles and batteries) for an amount of €111 million as at 31 December 2020, compared to €113 million at 31 December 2019.

In customer activity, the economic consequences of the health crisis contributed to the increase in B3 outstandings (+18.1% compared to December 2019), leading to an increase in provisions of €67 million with a provisioning rate down slightly to 67.5% (compared to 68.3% at the end of December 2019).

The provisioning rate of B2 customer outstandings increased from 5.4% to 6.0% compared to the end of December 2019, following the deterioration of risk parameters, in particular LGDs, which were negatively impacted by the repercussions of lockdown policies on the recovery process (inability to recover vehicles in particular) and on the economies of the affected countries. This resulted in an increase in B2 provisions of €86 million. For outstanding B2 customer loans, reclassifications were made to reflect the effects of the Covid-19 crisis, largely explaining the increase of 37% observed in this bucket.

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	12/2020	12/2019
Tax receivables	**353**	**432**
Current tax assets	26	16
Deferred tax assets	188	171
Tax receivables other than on current income tax	139	245
Adjustment accounts and other assets	**973**	**1 069**
Other sundry debtors	408	451
Adjustment accounts - Assets	57	59
Other assets	2	1
Items received on collections	361	373
Reinsurer part in technical provisions	145	185
Total adjustment accounts – Assets and other assets (*)	**1 326**	**1 501**
(*) Of which related parties	*220*	*259*

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	12/2020	12/2019
Reinsurer part in technical provisions at the beginning of period	185	202
Change of the technical provisions chargeable to reinsurers	(28)	(5)
Claims recovered from reinsurers	(12)	(12)
Reinsurer part in technical provisions at the end of period	**145**	**185**

Note 9 : Investments in associates and joint ventures

In millions of euros	12/2020		12/2019	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	22	4	25	6
RN SF B.V.	76	13	84	13
Nissan Renault Financial Services India Private Limited	31	2	33	2
Total interests in associates	**129**	**19**	**142**	**21**

Note 10 : Tangible and intangible non-current assets

In millions of euros	12/2020	12/2019
Intangible assets: net	**7**	**6**
Gross value	41	39
Accumulated amortization and impairment	(34)	(33)
Property, plant and equipment: net	**76**	**86**
Gross value	185	180
Accumulated depreciation and impairment	(109)	(94)
Total tangible and intangible non-current assets	**83**	**92**

Property, plant and equipment includes real estate leases activated under IFRS 16 (see section 3.A “Changes in accounting policies”).

Note 11 : Goodwill

In millions of euros	12/2020	12/2019
Argentina	1	1
United Kingdom	34	36
Germany	12	12
Italy	9	9
South Korea	19	20
Czech Republic	4	6
Total goodwill from acquisitions by country	**79**	**84**

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note B). These tests revealed an impairment of €2 million on goodwill held on RCI Financial Services, S.r.o, in the Czech Republic at 31 December 2020.

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

12.1 - Central Banks

In millions of euros	12/2020	12/2019
Term borrowings	2 250	2 700
Total Central Banks	**2 250**	**2 700**

At 31 December 2020, the book value of the collateral presented to the Bank of France (3G) amounted to €7,465m, that means €6,675m in securities issued by securitization vehicles, €104m in eligible bond securities, and €686m in private accounts receivable.

The Group was able to benefit from the TLTRO III program, and was able to make three drawdowns during 2020:

- €750 million maturing in June 2023
- €500 million maturing in September 2023
- €500 million maturing in December 2023.

These items have been recognized at amortized cost. During 2020, the interest rate applied to this financing amounted to -0.50% and was calculated on the basis of the average rate of the ECB's main refinancing operations (MRO) (currently at 0%) less a margin of 0.50%. The interest rate will be subject to future adjustments depending on the achievement of growth targets for financing granted to the economy.

12.2 - Amounts payable to credit institutions

In millions of euros	12/2020	12/2019
Sight accounts payable to credit institutions	**188**	**135**
Ordinary accounts	12	11
Overnight borrowings	4	7
Other amounts owed	172	117
Term accounts payable to credit institutions	**2 114**	**2 645**
Term borrowings	2 041	2 555
Accrued interest	73	90
Total liabilities to credit institutions	**2 302**	**2 780**

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	12/2020	12/2019
Amounts payable to customers	**21 415**	**18 512**
Ordinary accounts in credit	225	124
Term accounts in credit	703	700
Ordinary saving accounts	14 703	12 986
Term deposits (retail)	5 784	4 702
Other amounts payable to customers and accrued interest	**125**	**93**
Other amounts payable to customers	86	61
Accrued interest on ordinary accounts in credit	18	9
Accrued interest on ordinary saving accounts	11	17
Accrued interest on customers term accounts	10	6
Total amounts payable to customers (*)	**21 540**	**18 605**
(*) Of which related parties	*769*	*728*

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, in Brazil in March 2019 and Spain in November 2020 marketing both savings accounts and term deposit accounts.

12.4 - Debt securities

In millions of euros	12/2020	12/2019
Negotiable debt securities (1)	**1 172**	**1 948**
Certificates of deposit	944	1 681
Commercial paper and similar		29
French MTNs and similar	220	220
Accrued interest on negotiable debt securities	8	18
Other debt securities (2)	**3 259**	**3 243**
Other debt securities	3 258	3 242
Accrued interest on other debt securities	1	1
Bonds and similar	**17 560**	**18 825**
Bonds	17 439	18 699
Accrued interest on bonds	121	126
Total debt securities (*)	**21 991**	**24 016**
(*) Of which related parties		*78*

(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 (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	12/2020	12/2019
Liabilities valued at amortized cost - Excluding fair value hedge	**39 339**	**39 427**
Central Banks	2 250	2 700
Amounts payable to credit institutions	2 302	2 780
Amounts payable to customers	21 540	18 605
Debt securities	13 247	15 342
Liabilities valued at amortized cost - Fair value hedge	**8 744**	**8 674**
Debt securities	8 744	8 674
Total financial debts	**48 083**	**48 101**

12.6 - Breakdown of financial liabilities by rate type before derivatives

In millions of euros	Variable	Fixed	12/2020
Central Banks	1 750	500	2 250
Amounts payable to credit institutions	898	1 404	2 302
Amounts payable to customers	15 735	5 805	21 540
Negotiable debt securities	452	720	1 172
Other debt securities	3 248	11	3 259
Bonds	3 945	13 615	17 560
Total financial liabilities by rate	**26 028**	**22 055**	**48 083**

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**

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	France	France	Italy	Germany	Germany	Germany
Originator	DIAC SA	DIAC SA	DIAC SA	DIAC SA	DIAC SA	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto Leasing (Rent)	Auto Leasing (Rent)	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 Leases France V 2020-1	CARS Alliance Auto Leases France Master	Cars Alliance Auto Loans Italy 2015 s.r.l.	CARS Alliance Auto Loans Germany Master	Cars Alliance DFP Germany 2017	Cars Alliance Auto Loans Germany V 2019-1
Closing date	May 2012	April 2018	July 2013	October 2020	October 2020	July 2015	March 2014	July 2017	May 2019
Legal maturity date	August 2030	October 2029	July 2028	October 2036	October 2038	December 2031	March 2031	June 2026	August 2031
Initial purchase of receivables	715 M€	799M€	1 020 M€	1 057 M€	533 M€	1 234 M€	674 M€	852 M€	1 107 M€
Credit enhancement as at the closing date	Cash reserve for 1% Over-collateralization of receivables 13.3%	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 9%	Cash reserve for 1% Over-collateralization of receivables 11.05%	Cash reserve for 1% Over-collateralization of receivables 14.9%	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 2020	1 125 M€	338 M€	1 289 M€	1 036 M€	612 M€	1 380 M€	2 248 M€	782 M€	909 M€
Notes in issue as at 31 December 2020 (including any units held by the RCI Banque group)	Class A Rating : AAA 1 001 M€	Class A Rating : AAA 276 M€	Class A Rating : AA 1 000 M€	Class A Rating : AAA 950 M€	Class A Rating : AAA 549 M€	Class A Rating : AA 1 268 M€	Class A Rating : AAA 1 977 M€	Class A Rating : AAA 675 M€	Class A Rating : AAA 803 M€
		Class B Rating : AA 23M€		Class B Rating : AA 42 M€					Class B Rating : AA 26 M€
	Class B Non rated 153 M€	Class C Non rated 38M€		Class C Non rated 53 M€	Class B Non rated 68 M€	Class J Non rated 238M€	Class B Non rated 173 M€		Class C Non rated 51 M€
Period	Revolving	Amortizing	Revolving	Revolving	Revolving	Amortizing	Revolving	Revolving	Amortizing
Transaction's nature	Retained	Market	Retained	Market	Retained	Retained	Retained	Retained	Market

In 2020, the RCI Banque group carried out two securitization transactions in public format in France based on lease installments.

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 2020, the amount of financing obtained through securitization by conduit totaled €1,342 million. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €2,119 million.

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2020, the amount of the sales financing receivables thus maintained on the balance sheet totaled €11,790 million (€10,508 million at 31 December 2019), as follows:

- Securitization transactions placed on the market: €2,283m
- Retained securitization transactions: €7,436m

- Private securitization transactions: €2,072m

The fair value of these receivables is €11,743m at 31 December 2020.

Liabilities of €3,259m have been booked under "Other debt securities" corresponding to the securities issued during securitization transactions. The fair value of these liabilities is €2,916m at 31 December 2020.

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	12/2020	12/2019
Taxes payable	**754**	**750**
Current tax liabilities	143	129
Deferred tax liabilities	587	588
Taxes payable other than on current income tax	24	33
Adjustment accounts and other amounts payable	**2 151**	**1 895**
Social security and employee-related liabilities	58	57
Other sundry creditors	968	916
Adjustment accounts - liabilities	586	562
Accrued interest on other sundry creditors	454	354
Collection accounts	85	6
Total adjustment accounts - Liabilities and other liabilities (*)	**2 905**	**2 645**
(*) Of which related parties	*247*	*145*

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	12/2019	Charge	Reversals		Other (*)	12/2020
			Used	Not Used		
Provisions on banking operations	**525**	**290**	**(36)**	**(268)**	**(5)**	**506**
Provisions for signature commitments	6	18	(1)	(9)	(2)	12
Provisions for litigation risks	9	3		(3)	(2)	7
Insurance technical provisions	488	260	(34)	(252)	(1)	461
Other provisions	22	9	(1)	(4)		26
Provisions on non-banking operations	**148**	**22**	**(13)**	**(4)**	**(8)**	**145**
Provisions for pensions liabilities and related	63	5	(5)	(1)	4	66
Provisions for restructuring	14	14	(6)			22
Provisions for tax and litigation risks	67	2	(2)	(2)	(12)	53
Other	4	1		(1)		4
Total provisions	**673**	**312**	**(49)**	**(272)**	**(13)**	**651**

(*) 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. At this stage of the procedure, no tax risk has been identified under IFRIC 23.

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 €461m at end-December 2020.

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 2020 for unfair administration/processing fees and €5,013K 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.

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	12/2020	12/2019
France	41	41
Rest of world	25	22
Total provisions	**66**	**63**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2020	12/2019
Retirement age	67 years	67 years
Salary increases	2,20%	2,06%
Financial discount rate	0,60%	0,68%
Starting rate	6,53%	6,21%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2020	12/2019	12/2020	12/2019	12/2020	12/2019
Average duration	21 years	23 years	23 years	23 years	21 years	18 years
Rate of wage indexation			1,00%	1,00%	1,00%	1,40%
Financial discount rate	1,40%	2,10%	0,30%	0,30%	0,80%	0,80%
Actual return rate of hedge assets	7,84%	15,52%	1,00%	1,00%	0,80%	0,80%

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	**115**	**52**		**63**
Current service cost	4			4
Past service cost and gain/loss on settlement	(1)			(1)
Net interest on the net liability (asset)	1	1		
Expense (income) recorded in the income statement	**4**	**1**		**3**
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	6			6
Net return on fund asset (not included in net interest above)		1		(1)
Actuarial gains and losses on the obligation resulting from experience adjustments	(2)			(2)
Expense (income) recorded in Other components of comprehensive income	**4**	**1**		**3**
Employer's contributions to funds		1		(1)
Benefits paid	(4)			(4)
Effect of changes in exchange rates	(1)	(3)		2
Balance at the closing date of the period	**118**	**52**		**66**

Nature of invested funds

In millions of euros	12/2020		12/2019	
	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
Shares	18		16	
Bonds	30		31	
Others	4		5	
Total	**52**		**52**	

Note 16 : Impairments allowances to cover counterparty risk

In millions of euros	12/2019	Charge	Reversals		Other (*)	12/2020
			Used	Not Used		
Impairments on banking operations	**882**	**727**	**(316)**	**(158)**	**(49)**	**1 086**
Credit institutions transactions		2			(2)	
Customer finance transactions	882	725	(316)	(158)	(47)	1 086
Ow impairment on healthy receivables	*266*	*248*	*(78)*	*(105)*	*(21)*	*310*
Ow impairment on receivables with a significant increase in credit r	*175*	*222*	*(89)*	*(28)*	*(12)*	*268*
Ow Impairment on defaulted receivables	*441*	*255*	*(149)*	*(25)*	*(14)*	*508*
Impairment on non-banking operations	**4**	**1**	**(2)**			**3**
Impairment for signature commitments	4	1	(2)			3
Impairment on banking operations	**15**	**21**	**(1)**	**(12)**	**(4)**	**19**
Provisions for signature commitments	6	18	(1)	(9)	(2)	12
Provisions for litigation risks	9	3		(3)	(2)	7
Total provisions to cover counterparty risk	**901**	**749**	**(319)**	**(170)**	**(53)**	**1 108**

(*) 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	12/2020	12/2019
Liabilities measured at amortized cost	**876**	**853**
Subordinated securities	856	850
Accrued interest on subordinated securities	20	3
Hedged liabilities measured at fair value	**14**	**14**
Participating loan stocks	14	14
Total subordinated liabilities	**890**	**867**

Participating loan stocks of 500,000,000 Francs were issued in 1985 by Diac SA.

The remuneration system includes:

- a fixed portion equal to 60% of the Annual Monetary Rate (AMR)
- a variable portion obtained by applying the rate of increase in consolidated net income for the last financial year over that of the previous financial year to 40% of the AMR.

Annual remuneration is between 100% and 130% of the AMR, with a floor rate of 6.5%.

The loan is perpetual.

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 12/2020
Financial assets	**17 632**	**14 896**	**22 577**	**746**	**55 851**
Cash and balances at central banks	7 296	2	1		7 299
Derivatives	18	9	106	97	230
Financial assets	164	329	167	208	868
Amounts receivable from credit institutions	1 172	60			1 232
Loans and advances to customers	8 982	14 496	22 303	441	46 222
Financial liabilities	**18 529**	**6 947**	**19 775**	**3 806**	**49 057**
Central Banks	500		1 750		2 250
Derivatives	3	31	50		84
Amounts payable to credit institutions	421	826	1 055		2 302
Amounts payable to customers	16 080	1 726	3 034	700	21 540
Debt securities	1 506	4 363	13 886	2 236	21 991
Subordinated debt	19	1		870	890

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

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 12/2020
Financial liabilities	**18 409**	**7 035**	**20 206**	**3 845**	**49 495**
Central Banks	500		1 750		2 250
Derivatives	1	8	16		25
Amounts payable to credit institutions	406	768	1 055		2 229
Amounts payable to customers	16 051	1 718	3 034	700	21 503
Debt securities	1 317	4 292	13 869	2 236	21 714
Subordinated debt	19			865	884
Future interest payable	115	249	482	44	890
Financing and guarantee commitments	**2 329**	**76**	**30**	**129**	**2 564**
Total breakdown of future contractual cash flows by maturity	**20 738**	**7 111**	**20 236**	**3 974**	**52 059**

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**

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 2020.

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 - 31/12/2020	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**55 851**	**864**	**8 761**	**46 051**	**55 676**	**(175)**
Cash and balances at central banks	7 299		7 299		7 299	
Derivatives	230		230		230	
Financial assets	868	864		4	868	
Amounts receivable from credit institutions	1 232		1 232		1 232	
Loans and advances to customers	46 222			46 047	46 047	(175)
Financial liabilities	**49 057**	**14**	**48 753**		**48 767**	**290**
Central Banks	2 250		2 213		2 213	37
Derivatives	84		84		84	
Amounts payable to credit institutions	2 302		2 407		2 407	(105)
Amounts payable to customers	21 540		21 540		21 540	
Debt securities	21 991		21 765		21 765	226
Subordinated debt	890	14	744		758	132

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

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

Customer loans and receivables, classified in Level 3, are measured at amortized cost in the balance sheet. Fair value calculations are provided for information purposes only and should be interpreted as estimates only. In most cases, the values provided are not intended to be realized and generally could not be realized in practice. These values are not indicators used for the purpose of managing the bank's activities, for which the management model is collection of expected cash flows.

The assumptions used to measure the fair value of the instruments at amortized cost are presented below.

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

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 2019 and at 31 December 2020 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 2019 and at 31 December 2020.

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 2019 and 31 December 2020 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 - 31/12/2020	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	**1 461**		**1 461**	**26**	**805**		**630**
Derivatives	230		230	26			204
Network financing receivables (1)	1 231		1 231		805		426
Liabilities	**84**		**84**	**26**			**58**
Derivatives	84		84	26			58

(1) The gross book value of dealer financing receivables breaks down into €1,038m for the Renault Retail Group, whose exposures are hedged for up to €696m by a cash warrant agreement given by the Renault manufacturer (see note 12.3), and €193m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €110m by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

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.

Note 22 : Commitments given

In millions of euros	12/2020	12/2019
Financing commitments	**2 420**	**2 553**
Commitments to credit institutions	1	4
Commitments to customers	2 419	2 549
Guarantee commitments	**193**	**216**
Commitments to credit institutions	26	57
Customer guarantees	167	159
Other commitments given	**23**	**29**
Commitments given for equipment leases and real estate leases	23	29
Total commitments given (*)	**2 636**	**2 798**
(*) Of which related parties	*7*	*7*

Note 23 : Commitments received

In millions of euros	12/2020	12/2019
Financing commitments	**4 811**	**4 847**
Commitments from credit institutions	4 811	4 847
Guarantee commitments	**16 355**	**16 313**
Guarantees received from credit institutions	167	228
Guarantees from customers	6 058	6 741
Commitments to take back leased vehicles at the end of the contract	10 130	9 344
Other commitments received	**16**	**25**
Other commitments received	16	25
Total commitments received (*)	**21 182**	**21 185**
(*) Of which related parties	*5 558*	*5 408*

At 31 December 2020, RCI Banque had €4,811 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €4,511 million of assets eligible and mobilizable with the European Central Bank (after haircuts and excluding securities and receivables already in use 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 - 12/2020	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position GBP	265		58		323		323
Position CHF	227			(223)	4		4
Position CZK	34			(18)	16		16
Position ARS	5				5		5
Position BRL	103				103	1	102
Position PLN	402			(390)	12		12
Position HUF	5				5		5
Position RON	2				2	2	
Position KRW	160				160		160
Position MAD	30				30	3	27
Position DKK	45			(45)			
Position TRY	9				9		9
Position SEK	77			(77)			
Position INR	24				24		24
Position COP	29				29		29
Total exposure	**1 417**		**58**	**(753)**	**722**	**6**	**716**

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**

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	12/2020	12/2019
Interests ans similar incomes	**2 728**	**2 966**
Transactions with credit institutions	24	34
Customer finance transactions	1 957	2 173
Finance lease transactions	675	671
Accrued interest due and payable on hedging instruments	60	72
Accrued interest due and payable on Financial assets	12	16
Staggered fees paid for referral of business:	**(800)**	**(770)**
Customer Loans	(619)	(614)
Finance leases	(181)	(156)
Total interests and similar income (*)	**1 928**	**2 196**
(*) Of which related parties	*661*	*740*

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	12/2020	12/2019
Transactions with credit institutions	(196)	(203)
Customer finance transactions	(119)	(130)
Finance lease transactions	(6)	(2)
Accrued interest due and payable on hedging instruments	(51)	(54)
Expenses on debt securities	(260)	(340)
Other interest and similar expenses	(11)	(15)
Total interest and similar expenses (*)	**(643)**	**(744)**
(*) Of which related parties		*(4)*

Note 27 : Fees and commissions

In millions of euros	12/2020	12/2019
Fees and commissions income	**609**	**605**
Commissions	20	19
Fees	17	21
Commissions from service activities	82	82
Insurance brokerage commission	57	65
Incidental insurance commissions from finance contracts	230	226
Incidental maintenance commissions from finance contracts	136	129
Other incidental commissions from finance contracts	67	63
Fees and commissions expenses	**(250)**	**(234)**
Commissions	(26)	(22)
Commissions on service activities	(64)	(57)
Incidental insurance commissions from finance contracts	(31)	(29)
Incidental maintenance commissions from finance contracts	(86)	(86)
Other incidental commissions from finance contracts	(43)	(40)
Total net commissions (*)	**359**	**371**
(*) 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	12/2020	12/2019
Net gains (losses) on derivatives classified as transactions in trading securities	**1**	**(12)**
Net gains / losses on forex transactions	(9)	17
Net gains / losses on derivatives classified in trading securities	5	(22)
Net gains and losses on equity securities at fair value	1	(2)
Fair value hedges : change in value of hedging instruments	52	76
Fair value hedges : change in value of hedged items	(49)	(81)
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	**6**	**34**
Dividends from non-consolidated holdings	8	6
Gains and losses on assets at fair value through profit and loss	(2)	28
Total net gains or losses on financial instruments at fair value (*)	**7**	**22**
(*) Of which related parties	*8*	*6*

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, Class & co, Marcel, RCI Mobility) for €34.1m (of which €55.1m of impairment reversals).

Note 29 : Net income or expense of other activities

In millions of euros	12/2020	12/2019
Other income from banking operations	**1 027**	**1 004**
Income from insurance activities	432	472
Income related to non-doubtful lease contracts	331	294
of which reversal of impairment on residual values	*65*	*27*
Income from operating lease transactions	243	215
Other income from banking operations	21	23
of which reversal of charge to reserve for banking risks	*6*	*8*
Other expenses of banking operations	**(726)**	**(758)**
Cost of insurance activities	(126)	(182)
Expenses related to non-doubtful lease contracts	(307)	(305)
of which allowance for impairment on residual values	*(74)*	*(36)*
Distribution costs not treatable as interest expense	(86)	(93)
Expenses related to operating lease transactions	(180)	(154)
Other expenses of banking operations	(27)	(24)
of which charge to reserve for banking risks	*(9)*	*(8)*
Other operating income and expenses	**3**	**5**
Other operating income	12	24
Other operating expenses	(9)	(19)
Total net income (expense) of other activities (*)	**304**	**251**
(*) Of which related parties	*(4)*	*(10)*

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	12/2020	12/2019
Gross premiums issued	354	377
Net charge of provisions for technical provisions	26	(28)
Claims paid	(34)	(32)
Claims recovered from reinsurers	12	12
Others reinsurance charges and incomes	(48)	(37)
Total net income of insurance activities	**310**	**292**

Note 30 : General operating expenses and personnal costs

In millions of euros	12/2020	12/2019
Personnel costs	**(309)**	**(308)**
Employee pay	(200)	(202)
Expenses of post-retirement benefits - Defined-contribution pension plan	(17)	(18)
Expenses of post-retirement benefits - Defined-benefit pension plan	1	(1)
Other employee-related expenses	(67)	(71)
Other personnel expenses	(26)	(16)
Other administrative expenses	**(272)**	**(277)**
Taxes other than current income tax	(43)	(43)
Rental charges	(8)	(7)
Other administrative expenses	(221)	(227)
Total general operating expenses (*)	**(581)**	**(585)**
(*) Of which related parties	*2*	*(1)*

Auditors' fees are analyzed in part E - "Fees of auditors and their network", in the "General Information" section.

In addition, non-audit services that KPMG S.A and Mazars 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, and (iii) agreed procedures carried out mainly for local regulatory reasons.

Average number of employees	12/2020	12/2019
Sales financing operations and services in France	1 689	1 614
Sales financing operations and services in other countries	2 046	1 995
Total RCI Banque group	**3 735**	**3 609**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks totaling €15 million as at December 31, 2020 compared to €7 million as at December 31, 2019.

Note 31 : Cost of risk by customer category

In millions of euros	12/2020	12/2019
Cost of risk on customer financing	**(335)**	**(176)**
Impairment allowances	(582)	(277)
Reversal of impairment	353	198
Losses on receivables written off	(136)	(133)
Amounts recovered on loans written off	30	36
Cost of risk on dealer financing	**(18)**	**9**
Impairment allowances	(76)	(80)
Reversal of impairment	60	89
Losses on receivables written off	(2)	(1)
Amounts recovered on loans written off		1
Other cost of risk		**(10)**
Change in allowance for impairment of other receivables		1
Other valuation adjustments		(11)
Total cost of risk (*)	**(353)**	**(177)**
(*) Of which related parties		*(11)*

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

In 2019, other valuation adjustments comprise the debt waiver granted to entities disposed of (namely Marcel) in the amount of -€11.4 million.

The cost of risk for the Customer activity (retail and corporate financing) was up in 2020.

It was impacted by the negative repercussions of lockdown policies on several sectors of the economy, which have resulted in:

- an increase in provisions set up on an individual basis for large corporate customers for €60 million.
- an increase in B3 outstandings with a corresponding increase in provisions of €68 million
- an adjustment of the respective weights of the macroeconomic scenarios leading to an increase of €21 million in IFRS 9 forward-looking provisions
- the constitution of collective provisions for €45 million for debtors operating in business sectors heavily impacted by the pandemic. Due to their sectoral nature, these provisions are also qualified as forward looking.
- an increase in the provisioning rate for B1 and B2 outstandings

For the wholesale activity (dealer financing), the cost of risk is mainly negatively impacted by the updating of macroeconomic forecasts as part of the IFRS9 forward-looking provisioning for € 23 million.

Note 32 : Income tax

In millions of euros	12/2020	12/2019
Current tax expense	**(241)**	**(294)**
Current tax expense	(241)	(294)
Deferred taxes	**35**	**(98)**
Income (expense) of deferred taxes, gross	34	(98)
Change in allowance for impairment of deferred tax assets	1	
Total income tax	**(206)**	**(392)**

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.

The tax expense at 31 December 2020, takes into account tax income of €51 million. This tax income corresponds to the reimbursement by the Maltese State of a tax credit equivalent to 6/7 of the tax expense for 2019 (i.e. 6/7 of €59 million). At the end of December 2020, this credit was recorded in the financial statements following the payment of dividends from the Maltese entities.

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.

Since 2016, the Group's effective tax rate includes the effect of the reduction in the corporate tax rate provided for in the French finance law. At the end of December 2020, this impact generated a deferred tax expense of -€27 million.

The difference in the deferred tax item between 31 December 2019 to 31 December 2020 was €134 million. This change in deferred tax is linked to the decrease in the deferred tax rate in France, which has fallen from 32.02% to 28.41% under the current finance law.

Breakdown of net deferred taxes by major category

In millions of euros	12/2020	12/2019
Provisions	73	45
Provisions and other charges deductible when paid	30	22
Tax loss carryforwards	143	126
Other assets and liabilities	101	148
Lease transactions	(744)	(754)
Non-current assets	2	1
Impairment allowance on deferred tax assets	(4)	(5)
Total net deferred tax asset (liability)	**(399)**	**(417)**

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2020	12/2019
Statutory income tax rate - France	**32,02%**	**34,43%**
Differential in tax rates of French entities	-4,46%	2,12%
Differential in tax rates of foreign entities	-7,72%	-9,07%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	-0,10%	0,00%
Effect of equity-accounted associates	-0,62%	-0,55%
Other impacts	1,43%	2,64%
Effective tax rate	**20,54%**	**29,57%**

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).

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2020 change in equity			2019 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	(1)	1		(19)	5	(14)
Unrealised P&L on financial assets				1	(1)	
Actuarial differences	(5)	1	(4)	(13)	3	(10)
Exchange differences	(159)		(159)	15		15

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 2020 occurred between the date of closure and 12 February 2021, 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					
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	-
RNL Leasing	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 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 Leases France V 2020-1 *	France		(cf note 13)	Diac S.A.		
CARS Alliance Auto Leases France 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 2020 - ** Entities added to the scope in 2019

B) Subsidiaries in which non-controlling interests are significant

In millions of euros - 31/12/2020 - 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	(1)	8	2
Equity: Investments in associates and joint ventures	12		(1)	
Dividends paid to non controlling interests (minority shareholders)	2		8	
Cash, due from banks	10	7	137	17
Net outstandings customers loans and lease financings	123	75	1 428	537
Other assets	6	3	148	15
Total assets	**139**	**85**	**1 713**	**569**
Due to banks, customer deposits and debt securities issued	112	68	1 440	486
Other liabilities	3	10	73	8
Net Equity	24	7	200	75
Total liabilities	**139**	**85**	**1 713**	**569**
Net banking income	**9**	**4**	**97**	**32**
Income tax	(1)		(8)	(1)
Net income	4	(3)	21	4
Other components of comprehensive income			(10)	
Total comprehensive income	**4**	**(3)**	**11**	**4**
Net cash generated by operating activities	11		(50)	9
Net cash generated by financing activities	(10)		(38)	
Net cash generated by investing activities			(1)	(2)
Net increase/(decrease) in cash and cash equivalents	**1**		**(89)**	**7**

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 €100m at 31 December 2020, against €144m at 31 December 2019.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €4m at 31 December 2020, against €7m at 31 December 2019.

The amount of debt for puts on minority interests for RCI Colombia S.A. is included under "Other liabilities" for €61m at 31 December 2020, against zero at 31 December 2019.

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)**

C) Significant associates and joint ventures

In millions of euros - 31/12/2020 - 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	4	2
Investments in associates and joint ventures	76	22	31
Dividends received from associates and joint ventures			
Cash, due from banks	84	15	8
Net outstandings customers loans and lease financings	997	414	328
Other assets	70	6	28
Total assets	**1 151**	**435**	**364**
Due to banks, customer deposits and debt securities issued	883	378	198
Other liabilities	17	14	62
Net Equity	251	43	104
Total liabilities	**1 151**	**435**	**364**
Net banking income	**75**	**16**	**18**
Income tax	(11)	(3)	(2)
Net income	42	8	6
Other components of comprehensive income			
Total comprehensive income	**42**	**8**	**6**
Net cash generated by operating activities	15	(11)	170
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**15**	**(11)**	**170**

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)**

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 - 31/12/2020

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	432	162,3	58,0	(38,3)	(22,8)	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	368	262,3	175,9	(33,0)	(21,7)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	55	30,4	5,3	(7,1)		
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	54	24,2	10,2	(2,6)	0,1	
Belgium	RCI Financial Services S.A.	Financing	30	15,5	11,7	(2,8)	(0,1)	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	156	109,2	38,2	(26,7)	16,7	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	64	32,0	6,1	(2,2)	0,7	
	RCI Servicios Colombia S.A.	Financing						
South Korea	RCI Financial Services Korea Co. Ltd	Financing	113	66,9	45,9	(13,1)	1,9	
Spain	Rci Banque S.A. Sucursal En España	Financing	234	126,8	46,9	(21,5)	7,4	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1 103	414,7	128,5	(2,4)	41,5	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	6	3,3	2,6	(0,1)		
India	Nissan Renault Financial Services India Private Limited	Financing	110		1,9			
Ireland	RCI Banque, Branch Ireland	Financing	32	15,9	10,1	(1,2)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	221	171,8	99,2	(32,2)	(1,0)	
	ES Mobility S.R.L.	Financing						
Malta	RCI Services Ltd	Holding	31	184,4	177,8	(14,4)	2,7	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	53	27,9	(8,0)	(4,9)	8,0	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	48	23,3	12,9	(3,2)		
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	66	31,6	18,8	(3,2)	0,2	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	39	16,5	4,1	(2,7)	0,3	
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	10,9	4,9	(1,6)		
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	63	22,2	15,5	(2,6)	0,2	
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	313	152,7	88,9	(19,6)	1,3	
	RCI Bank UK	Financing						
Russia	RNL Leasing	Financing	257	3,1	15,0		(0,4)	
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Ban čna podružnica Ljubljana	Financing	39	10,7	5,3	(1,3)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	21	10,8	7,5	(1,2)	(0,4)	
Switzerland	RCI Finance S.A.	Financing	49	25,1	15,2	(3,1)	0,4	
Turkey	ORFIN Finansman Anonim Sirketi	Financing	53		4,1			
TOTAL			**4 032**	**1 955**	**1 003**	**(241)**	**35**	

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 groupe RCI Banque’s overall internal control system and operates to standards approved by the Board of Directors. RCI Banque’s Finance and Cash department is responsible for managing market risks (interest rate, liquidity and foreign exchange risks) and for verifying compliance with allowable limits in the consolidated groupe RCI Banque scope. The rules and ceilings are approved by the shareholder and are periodically updated.
The Financial Risks Team, attached to the Risk and Banking Regulation department (Risk division), issues a daily report and monitors 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 Chief Executive Officer.

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.

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:	€3.5m
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 (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 2020, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€50m).

At 31 December 2020, sensitivity to NIM following a 100-basis point rise in rates would have an impact of:

- +€4.3M in EUR,
- -€0.6M in BRL,
- +€0.6M in KRW,
- -€0.3M in GBP,
- -€0.1M in PLN,
- +€0.2M in CZK,
- +€0.5M in CHF,

The absolute sensitivity values in each currency totaled €9.4m.

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 (€32 million). These macro-hedging transactions cover variable-rate resources and / or fixed-rate resources that are variable through micro-hedging of swaps.

These swaps and the securities available for sale are measured at fair value by reserves in accordance with IFRS 9.

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 variable rate resources/ fixed 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.

Groupe RCI Banque’s overall forex limit granted by the Chairman of the Board of Directors on the advice of the Chairman of the Board’s Risk Committee is €35 million.

At 31 December 2020, the RCI Banque group's consolidated forex position is €5.8m.

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 flat-rate method, it amounted to €239 million at 31 December 2020, compared to €318 million at 31 December 2019. According to the "positive mark to market + add-on" method, the equivalent counterparty risk was €18 million at 31 December 2020, compared with €12 million at 31 December 2019. These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.