# RCI BANQUE

## INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 30 June 2020

# SUMMARY

# CONSOLIDATED BALANCE SHEET

| **ASSETS - In millions of euros** | **Notes** | **06/2020** | **12/2019** |
|---|---|---|---|
| Cash and balances at central banks | 2 | 4 478 | 1 527 |
| Derivatives | 3 | 215 | 177 |
| Financial assets at fair value through other comprehensive income | 4 | 1 093 | 1 364 |
| Financial assets at fair value through profit or loss | 4 | 239 | 105 |
| Amounts receivable at amortised cost from credit institutions | 5 | 1 279 | 1 279 |
| Loans and advances at amortised cost to customers | 6 et 7 | 46 805 | 50 582 |
| Current tax assets | 8 | 62 | 16 |
| Deferred tax assets | 8 | 176 | 171 |
| Tax receivables other than on current income tax | 8 | 175 | 245 |
| Adjustment accounts & miscellaneous assets | 8 | 1 125 | 1 069 |
| Investments in associates and joint ventures | | 137 | 142 |
| Operating lease transactions | 6 et 7 | 1 330 | 1 227 |
| Tangible and intangible non-current assets | | 91 | 92 |
| Goodwill | | 81 | 84 |
| **TOTAL ASSETS** | | **57 286** | **58 080** |

| **LIABILITIES AND EQUITY - In millions of euros** | **Notes** | **06/2020** | **12/2019** |
|---|---|---|---|
| Central Banks | 9.1 | 2 250 | 2 700 |
| Derivatives | 3 | 104 | 92 |
| Amounts payable to credit institutions | 9.2 | 2 536 | 2 780 |
| Amounts payable to customers | 9.3 | 19 303 | 18 605 |
| Debt securities | 9.4 | 22 791 | 24 016 |
| Current tax liabilities | 10 | 173 | 129 |
| Deferred tax liabilities | 10 | 586 | 588 |
| Taxes payable other than on current income tax | 10 | 30 | 33 |
| Adjustment accounts & miscellaneous liabilities | 10 | 2 071 | 1 895 |
| Provisions | 11 | 173 | 185 |
| Insurance technical provisions | 11 | 469 | 488 |
| Subordinated debt - Liabilities | 13 | 871 | 867 |
| Equity | | 5 929 | 5 702 |
| *- Of which equity - owners of the parent* | | *5 882* | *5 649* |
| *Share capital and attributable reserves* | | *814* | *814* |
| *Consolidated reserves and other* | | *5 169* | *4 271* |
| *Unrealised or deferred gains and losses* | | *(491)* | *(339)* |
| *Net income for the year* | | *390* | *903* |
| *- Of which equity - non-controlling interests* | | *47* | *53* |
| **TOTAL LIABILITIES & EQUITY** | | **57 286** | **58 080** |

# CONSOLIDATED INCOME STATEMENT

| In millions of euros | Notes | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|---|
| Interest and similar income | 19 | 1 018 | 1 100 | 2 196 |
| Interest expenses and similar charges | 20 | (332) | (380) | (744) |
| Fees and commission income | 21 | 300 | 301 | 605 |
| Fees and commission expenses | 21 | (109) | (113) | (234) |
| Net gains (losses) on financial instruments at fair value through profit or loss | | (6) | (20) | 22 |
| Income of other activities | 22 | 476 | 483 | 1 028 |
| Expense of other activities | 22 | (337) | (363) | (777) |
| **NET BANKING INCOME** | | **1 010** | **1 008** | **2 096** |
| General operating expenses | 23 | (299) | (308) | (585) |
| Depreciation and impairment losses on tangible and intangible assets | | (9) | (9) | (18) |
| **GROSS OPERATING INCOME** | | **702** | **691** | **1 493** |
| Cost of risk | 24 | (236) | (93) | (177) |
| **OPERATING INCOME** | | **466** | **598** | **1 316** |
| Share in net income (loss) of associates and joint ventures | | 10 | 10 | 21 |
| Gains less losses on non-current assets | | | | (2) |
| Impact of Profit & Loss for Subisidiaries in Hyperinflation Context | | (3) | (1) | (8) |
| **PRE-TAX INCOME** | | **473** | **607** | **1 327** |
| Income tax | 25 | (78) | (180) | (392) |
| **NET INCOME** | | **395** | **427** | **935** |
| Of which, non-controlling interests | | 5 | 13 | 32 |
| Of which owners of the parent | | 390 | 414 | 903 |
| Number of shares | | 1 000 000 | 1 000 000 | 1 000 000 |
| Net Income per share (1) in euros | | 390,33 | 414,47 | 902,52 |
| Diluted earnings per share in euros | | 390,33 | 414,47 | 902,52 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| **In millions of euros** | **06/2020** | **06/2019** | **12/2019** |
|---|---|---|---|
| **NET INCOME** | **395** | **427** | **935** |
| Actuarial differences on post-employment benefits | (3) | (7) | (16) |
| ***Total of items that will not be reclassified subsequently to profit or loss*** | ***(3)*** | ***(7)*** | ***(16)*** |
| Unrealised P&L on cash flow hedge instruments | (10) | (22) | (14) |
| Unrealised P&L on financial assets | | 1 | |
| Exchange differences | (147) | (13) | 15 |
| Other unrealised or deferred P&L | | | 6 |
| ***Total of items that will be reclassified subsequently to profit or loss*** | ***(157)*** | ***(34)*** | ***7*** |
| **Other comprehensive income** | **(160)** | **(41)** | **(9)** |
| **TOTAL COMPREHENSIVE INCOME** | **235** | **386** | **926** |
| Of which Comprehensive income attributable to non-controlling interests | (3) | 11 | 29 |
| Of which Comprehensive income attributable to owners of the parent | 238 | 375 | 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 | | | | | (18) | | (18) | (3) | (21) |
| Actuarial differences on defined-benefit pension plans | | | | | (7) | | (7) | | (7) |
| Exchange differences | | | | (14) | | | (14) | 1 | (13) |
| Net income for the year (before appropriation) | | | | | | 414 | 414 | 13 | 427 |
| ***Total comprehensive income for the period*** | | | | ***(14)*** | ***(25)*** | ***414*** | ***375*** | ***11*** | ***386*** |
| Effect of acquisitions, disposals and others | | | | | | | | 1 | 1 |
| Dividend for the period | | | (50) | | | | (50) | (11) | (61) |
| Repurchase commitment of non-controlling interests | | | | | | | | 3 | 3 |
| **Equity at 30 June 2019** | **100** | **714** | **4 731** | **(327)** | **(45)** | **414** | **5 587** | **49** | **5 636** |
| Change in value of financial instruments recognized in equity | | | | | 14 | | 14 | (1) | 13 |
| Actuarial differences on defined-benefit pension plans | | | | | (9) | | (9) | | (9) |
| Exchange differences | | | | 28 | | | 28 | | 28 |
| Net income for the year (before appropriation) | | | | | | 489 | 489 | 19 | 508 |
| ***Total comprehensive income for the period*** | | | | ***28*** | ***5*** | ***489*** | ***522*** | ***18*** | ***540*** |
| Effect of acquisitions, disposals and others | | | (2) | | | | (2) | (2) | (4) |
| Dividend for the period | | | (450) | | | | (450) | | (450) |
| Repurchase commitment of non-controlling interests | | | (8) | | | | (8) | (12) | (20) |
| **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 | | | | | (8) | | (8) | (2) | (10) |
| Actuarial differences on post-employment benefits | | | | | (3) | | (3) | | (3) |
| Exchange differences | | | | (141) | | | (141) | (6) | (147) |
| Net income for the year (before appropriation) | | | | | | 390 | 390 | 5 | 395 |
| ***Total comprehensive income for the period*** | | | | ***(141)*** | ***(11)*** | ***390*** | ***238*** | ***(3)*** | ***235*** |
| Effect of acquisitions, disposals and other | | | (5) | | | | (5) | (1) | (6) |
| Dividend for the period (5) | | | | | | | | (11) | (11) |
| Repurchase commitment of non-controlling interests | | | | | | | | 9 | 9 |
| **Equity at 30 June 2020** | **100** | **714** | **5 169** | **(440)** | **(51)** | **390** | **5 882** | **47** | **5 929** |

(1) The share capital of RCI Banque S.A. (100 million euros) consists of 1,000,000 fully paid up shares with par value of 100 euros each, of which 999,999 shares are owned by Renault s.a.s.
(2) Attributable reserves include the share premium account of the parent company.
(3) The translation adjustment balance booked at 30 June 2020 relates primarily to Argentina, Brazil, Colombia, South Korea, United Kingdom, Russia and Turkey. At 31 December 2019, it mainly related to Argentina, Brazil, South Korea, Russia, Turkey, United Kingdom, Switzerland, Poland and Morocco.
(4) Includes the fair value of derivatives used as cash flow hedges and fair value on debt instrument for -€26 and IAS 19 actuarial gains and losses for -€25m at end June 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** | **06/2020** | **06/2019** | **12/2019** |
|---|---|---|---|
| **Net income attributable to owners of the parent company** | **390** | **414** | **903** |
| Depreciation and amortization of tangible and intangible non-current assets | 9 | 9 | 17 |
| Net allowance for impairment and provisions | 165 | 89 | 92 |
| Share in net (income) loss of associates and joint ventures | (10) | (10) | (21) |
| Deferred tax (income) / expense | (14) | 10 | 98 |
| Net loss / gain from investing activities | 1 | 2 | 7 |
| Net income attributable to non-controlling interests | 5 | 13 | 32 |
| Other (gains/losses on derivatives at fair value through profit and loss) | (2) | 28 | 30 |
| **Cash flow** | **544** | **555** | **1 158** |
| Other movements (accrued receivables and payables) | 175 | 51 | 53 |
| ***Total non-monetary items included in net income and other adjustments*** | ***329*** | ***193*** | ***308*** |
| Cash flows on transactions with credit institutions | (460) | 135 | 557 |
| *- Inflows / outflows in amounts receivable from credit institutions* | *(30)* | *18* | *(52)* |
| *- Inflows / outflows in amounts payable to credit institutions* | *(430)* | *117* | *609* |
| Cash flows on transactions with customers | 3 302 | (984) | (2 554) |
| *- Inflows / outflows in amounts receivable from customers* | *2 345* | *(1 881)* | *(4 210)* |
| *- Inflows / outflows in amounts payable to customers* | *957* | *897* | *1 656* |
| Cash flows on other transactions affecting financial assets and liabilities | (635) | 681 | 105 |
| *- Inflows / outflows related to AFS securities and similar* | *71* | *(518)* | *(432)* |
| *- Inflows / outflows related to debt securities* | *(822)* | *1 366* | *406* |
| *- Inflows / outflows related to collections* | *116* | *(167)* | *131* |
| Cash flows on other transactions affecting non-financial assets and liabilities | 29 | (6) | (38) |
| **Net change in assets and liabilities resulting from operating activities** | **2 236** | **(174)** | **(1 930)** |
| **Net cash generated by operating activities (A)** | **2 955** | **433** | **(719)** |
| Flows related to financial assets and investments | 5 | (1) | 81 |
| Flows related to tangible and intangible non-current assets | (9) | (8) | (14) |
| **Net cash from / (used by) investing activities (B)** | **(4)** | **(9)** | **67** |
| Net cash from / (to) shareholders | (11) | (61) | 339 |
| *- Outflows related to repayment of Equity instruments and subordinated borrowings* | | | *850* |
| *- Dividends paid* | *(11)* | *(61)* | *(511)* |
| **Net cash from / (used by) financing activities (C)** | **(11)** | **(61)** | **339** |
| **Effect of changes in exchange rates and scope of consolidation on cash and equivalents (I** | **(87)** | **7** | **(10)** |
| **Change in cash and cash equivalents (A+B+C+D)** | **2 853** | **370** | **(323)** |
| Cash and cash equivalents at beginning of year: | 2 469 | 2 792 | 2 792 |
| *- Cash and balances at central banks* | *1 494* | *2 018* | *2 018* |
| *- Balances in sight accounts at credit institutions* | *975* | *774* | *774* |
| Cash and cash equivalents at end of year: | 5 322 | 3 162 | 2 469 |
| *- Cash and balances at central banks* | *4 457* | *2 329* | *1 494* |
| *- Credit balances in sight accounts with credit institutions* | *1 101* | *1 069* | *1 110* |
| *- Debit balances in sight accounts with credit institutions* | *(236)* | *(236)* | *(135)* |
| **Change in net cash** | **2 853** | **370** | **(323)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The condensed consolidated interim financial statements of the RCI Banque S.A. group for the six months ended 30 June relate to the Company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

## 1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The summary consolidated financial statements of the RCI Banque group for the six months to 30 June 2020 were established by the Board of Directors on 24 July 2020 which authorized their publication.

The RCI Banque group's consolidated financial statements for the year 2019 were established by the Board of Directors on 5 February 2020 and approved at the General Meeting on 29 April 2020. It has been decided to pay a dividend of €450 million on 2019 earnings to the Renault shareholder and to allocate €300 million in reserves.

An interim dividend of €450 million was paid on December 5, 2019 following a decision by the Board of Directors.

The decision to allocate €300 million in reserves was taken in line with the ECB's recommendation to banking institutions on March 27, 2020 not to pay dividends due to exceptional measures related to the Covid-19 pandemic.

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

## 2. KEY HIGHLIGHTS

- **Nissan Europe Cooperation Agreement :**

The cooperation agreement with Nissan in Europe expires on December 31, 2021. Negotiations to define the terms of a new agreement are ongoing.

- **Covid-19 health crisis :**

The Covid-19 health crisis affected the global economy in the first half of 2020. In France this crisis led to a 2-month lockdown resulting in an economic downturn. The consequences of this event within the RCI group are set out below.

- Business: Closure of dealerships during lockdown;

  Absence of collection activity in the field and auction houses not operating for the resale of vehicles.

- Operational: Introduction of remote working extended to all employees

  Use of furlough measures

➢ Effect of moratoriums on interest revenue:

Owing to the introduction of lockdown measures in many countries, in some cases customers were offered concessions (interest or rent): Payment terms changed from 3 months to 6 months, changing invoice due dates in accounting systems.

In accordance with paragraph 5.4.3 of IFRS 9 which specifies that, where the contractual cash flow of a financial asset is renegotiated or otherwise modified, and the renegotiation or modification does not result in the derecognition of that financial asset, the entity must recalculate the gross carrying amount of the asset in question and recognize a modification gain or loss under profit or loss. Overall analysis of countries in which Groupe RCI has subsidiaries has not revealed material losses to be recorded under revenue as a result of these changes.

**NB**: RCI Banque does not fall under the government- backed loan scheme (PGE).

**Information on outstandings subject to moratoriums**

| | Customers | | Dealer financing | | Global | |
|---|---|---|---|---|---|---|
| **Geographical Area** | Outstandings | Provisions | Outstandings | Provisions | Outstandings | Provisions |
| Europe | 3 792 | 57 | 1 254 | 8 | 5 046 | 65 |
| of which Germany | 88 | 1 | 203 | 1 | 290 | 2 |
| of which Spain | 75 | 2 | 142 | 2 | 218 | 4 |
| of which France | 3 118 | 41 | 267 | 1 | 3 385 | 41 |
| of which Italy | 212 | 6 | 305 | 3 | 517 | 10 |
| of which United Kingdom | 131 | 4 | 186 | 0 | 316 | 4 |
| o/w other countries | 169 | 3 | 152 | 2 | 321 | 4 |
| Eurasia | 32 | 0 | - | - | 32 | 0 |
| Africa - Middle-East - India | 110 | 4 | 41 | 0 | 151 | 5 |
| Asia-Pacific | 4 | - | - | - | 4 | - |
| Americas | 262 | 7 | 42 | 0 | 304 | 8 |
| of which Argentina | 3 | - | 1 | 0 | 3 | 0 |
| of which Brazil | 110 | 5 | 40 | 0 | 150 | 6 |
| of which Colombia | 149 | 2 | 1 | 0 | 151 | 2 |
| **Global** | **4 200** | **69** | **1 337** | **9** | **5 537** | **78** |

As of the end of June, within our Customers portfolio (excluding dealers), total current exposure subject to extensions of payments not overdue stood at €4,200 million. This figure includes €3,118 million in payment holidays granted by default[1] in France to all businesses with a vehicle on finance.

Within Dealer financing, total current exposure subject to extensions of payments not overdue amounted to €1,337 million. A payment has already been made to RCI by a significant proportion of dealers granted payment extensions during lockdown owing primarily to the resumption of vehicle sales in Europe.

[1] Moratorium systematically granted by default to all Diac and Diac Location corporate customers in order to relieve customer relations platforms in the early days of lockdown. Any customers not wishing to benefit from these payment extensions were able to request that their payment schedule remain in place.

- Impairment test

Impairment tests did not reveal any impairment on goodwill or on other financial assets.

**NB:** It was not necessary to alter the test methodology in the wake of Covid-19.

- 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 of the 2019 annual report.

In the absence of reliable projections factoring in the impact of Covid-19 in forward-looking scenarios used to calculate Expected Credit Losses, in light of past data and given the intervention of governments, the ESMA recommends giving the most weighting to the scenario of long-term stability of the economic environment. In line with ESMA guidelines, RCI Banque 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 as of December 2019. These measures have resulted in a €26 million increase in forward-looking provisions, chiefly attributable to the dealer financing business.

Losses given default used to calculate the provisions have been affected by the health crisis with the collection and sale of repossessed vehicles having come to a near standstill during lockdown. The increase in LGD has resulted in an increase in the provisioning rate for receivables with a significant increase in credit risk since initial recognition (B2) from 5.3 to 7.1%, with (B1) hedging of healthy receivables increasing from 0.5 to 0.7%. The proportion of defaulted receivables is up slightly at 1.5% of outstandings versus 1.3% at end-2019, with a very slight increase in their provisioning rate. These factors have led to increased provision for credit risk.

In total, the impairment allowance increased by €138 million compared with December 2019, of which €26 million in respect of updates to the forward-looking data. This increase is largely due to the impact of Covid-19.

The breakdown of customer loans and provisions associated with each IFRS 9 category is detailed in notes 7 and 24.

**NB** :

- **Limitation of LGD observations**

Management opted to freeze the LGD statistics at the end of March in the case of France (impact not recognized in the model owing to this LGD freeze of €23.8 million) and at the end of May in the case of Italy (€1.8 million) as operational constraints impacting collection during lockdown do not reflect actual collection activity.

- **Expertise provision on moratoria**

Additional provision was made for all exposures that were subject to payment extensions during lockdown (from March to May), irrespective of whether this exposure was written off under forbearance. The method used involved doubling the provision calculated at the end of May 2020 based on the IFRS 9 methodology in place; the adjustment represents an expense of €44 million, with customer outstandings in the order of €4.5 billion at that date.

This brings the coverage ratio for these outstandings to a higher level than the average B1+B2 coverage ratio.

- **Assets classified by bucket following ESMA recommendations**

The downgrading from one bucket to another (and particularly from bucket 1 to bucket 2) must not be systematic due to the application of forbearance, but it must be the subject of analysis (on an individual or collective basis) of counterparties in order to differentiate between those suffering real impairment of credit risk over the lifespan of the asset and those encountering "temporary liquidity problems".

In groupe RCI Banque this analysis was conducted on a case-by-case basis without resorting to systematic downgrading (see Note 7.1)

# 3. ACCOUNTING RULES AND METHODS

The interim financial statements for the six months to 30 June 2020 were prepared in accordance with the principles set out in IAS 34 "Interim Financial Reporting". They do not include all the information required when preparing annual consolidated financial statements and must therefore be read in conjunction with the financial statements for the year ended 31 December 2019.
The RCI Banque group's financial statements for the year ended 31 December 2019 were prepared in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) as at 31 December 2019 and as adopted in the European Union by the statement closing date. With the exception of the changes indicated hereafter, the accounting rules and methods used are identical to those applied in the consolidated financial statements for the year ended 31 December 2019.

**A – Changes in accounting policies**

The RCI Banque group applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2020.

- **New regulations that must be applied at January 1, 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 | Changes to references in IFRS to the Conceptual Framework |
| IFRS 9 phase 3 (1) | Forward-looking hedge accounting |

The other standards and amendments application of which has been mandatory since 1 January 2020 are without significant impact on the group's financial statements.

(1) This application has no material impact on the Group's financial statements but enables groupings of a debt and derivative to be classified as hedged items.

- **New text publicized by IASB for application in 2020 and not yet published in the Official Journal of the European Union.**

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

On May 28, 2020, the IASB published an amendment to IFRS 16, "Covid-19-related rent concessions" effective from June 1, 2020, which has yet to be approved by the European Union. The text proposes an optional exemption for lessees which allows rent reductions obtained when entering into concession agreements with lessors to be recognized under profit or loss. This measure applies to payments of rental charges initially due on June 30, 2021 or before. Lessees can choose to apply the provisions of the unamended IFRS 16 which involves performing a detailed analysis of concession agreements and treating them as contract modifications where appropriate. Groupe RCI has not applied the amendment to IFRS 16 in the financial statements at June 30, 2020. Concessions granted to the Group have not had a material impact.

- Published standards and amendments that are not yet applicable

| | |
|---|---|
| IFRS 17 | Insurance contracts |

IFRS 17 Insurance Contracts was published on May 18, 2017 by the IASB. Subject to its adoption by the European Union, it will become effective in 2023. It replaces the current IFRS 4.
At this stage, the group is not planning to apply this standard early.

## B. Estimates and judgments

Given the particular reporting context and the impact of Covid-19, changes have been made to the judgements and assumptions used in relation to December 2019, in respect of:

- **Forward-looking data** (see paragraph "Cost of risk" in section 2. KEY HIGHLIGHTS)
- **Provision estimation models**:
  Estimation models have not been adapted. However, the parameters used in the models have been updated to incorporate the impact of Covid-19.

Aside from the two points above, the main areas of judgements and estimations in preparing the condensed consolidated financial statements for the period ending June 30, 2020 are identical to those set out in Note 4.3.3 to the 2019 annual financial statements.

## C. Changes in presentation

In 2020, there are no changes in presentation compared with the previous year.

# 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 close attention to the diversification of its sources of liquidity. Since the onset of the financial crisis, the company has significantly diversified its sources of funding. Beyond the legacy base of bondholder investors in euros, new areas of distribution have been successfully tapped.

The extension to eight years of maximum maturities issued in Euros has brought in new investors in search of duration. Furthermore, the group refinances itself on capital markets in numerous currencies (GBP, CHF, BRL, ARS, KRW, MAD, COP, etc.), both to fund European assets and to support development outside Europe.

Funding through securitization, whether private or public, is also broadening the investor base.

Lastly, the deposit taking business, launched in February 2012 and now rolled out in five countries, completes this diversification strategy, enabling the company to meet the liquidity coverage requirements imposed by Basel III standards.

RCI Banque's liquidity risk management factors in the recommendations of the European Banking Authority (EBA) and the European Central Bank (ECB) concerning the Internal Liquidity Adequacy Assessment Process (ILAAP) and is based on the following elements:

- **Risk appetite:** This is defined by the Risks Committee of the Board of Directors.

- **Refinancing:** The financing plan is constructed from a perspective of diversified access to liquidity, by product, by currency and by maturity. Funding requirements are regularly reassessed to adjust the financing plan.

- **Liquidity reserve:** The company aims to always have a liquidity reserve in line with its liquidity risk appetite. The liquidity reserve comprises confirmed undrawn lines of credit, collateral qualifying for the ECB's monetary policy operations, high-quality liquid assets (HQLAs) and financial assets. It is reviewed every month by the Finance Committee.

- **Transfer price:** The Group’s European entities are primarily refinanced by the Group Cash department, which centralizes liquidity management and pools costs. Internal liquidity costs are reviewed at regular intervals by the Finance Committee and are used by the trading subsidiaries to construct their pricing.

- **Stress scenarios:** The Finance Committee is advised every month of the time scale during which it can guarantee continuity of business by using its liquidity reserve in various stress scenarios. Stress scenarios include estimates of flights of deposits, loss of access to new sources of funds, partial unavailability of certain items of the liquidity reserve and forecasts of new loans. Stress-tested assumptions of flights of deposits are very conservative and are regularly back-tested.

- **Emergency plan:** An established emergency plan identifies what actions are required in the event of stress on the liquidity position.

**Risk in respect of the lending business**

Following the imposition of lockdown in almost all countries in which RCI Banque is present, re-establishing the smooth operation of the collection of doubtful or delinquent receivables has become a priority.

The move towards remote working was initially accompanied by a loss of efficiency which was gradually corrected. The teams dedicated to these activities was reinforced whether with internal staff or collection service provider resources allocated to the RCI Banque business.

In countries that have granted a large number of payment extensions, additional staff were mobilized (in France and Brazil in particular) or are planned for the end of the moratoriums (in Italy for example).

In terms of underwriting risk, an action plan has been produced in anticipation of the expected deterioration of the economic environment. Following a country-by-country estimation of this potential deterioration, the strategy to maintain production profitability will be based on three strands:

- The introduction of additional checks and sector-based loan policies (corporate clients or employer of a retail customer).
- Adjusting default probability targets downwards.
- Increased pricing, mostly in South American countries where the practice of "risk-based pricing" is widespread.

With the economic outlook remaining uncertain, management of the underwriting policy will continue to be adjusted regularly according to the risk observed and forecasts and stress on the main countries by market (retail customers, corporates).

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

**Profitability**

RCI Banque regularly reviews the internal liquidity costs it uses to price customer transactions, thereby maintaining a margin on new loans in line with budget targets. Similarly, the pricing of funds granted to dealerships is indexed on the internal base rate reflecting the cost of funds borrowed and the liquidity cushions needed for business continuity. This method maintains the constant profitability of this line of business.

**Governance**

Liquidity indicators are specifically reviewed at each monthly meeting of the financial committees.
The countries' executive committees also systematically monitor the risk and estimated instantaneous margin indicators, which complete the customary profitability assessments of the subsidiaries.

**Exposure to non-commercial credit risk**

The counterparty risk results from cash surpluses invested in the form of short-term deposits or monetary fund purchases, and from the creation of a portfolio of corporate bonds, the average duration of which was less than two years at 30/06/2020.

These investments are made with first-rate banks, monetary funds or high-quality corporate bonds already authorized by the Finance Committee. RCI Banque also pays close attention to the diversification of counterparties.

Furthermore, to meet regulatory requirements resulting from the implementation of the 30-day Liquidity Coverage Ratio (LCR), RCI Banque invests in liquid assets as defined in the Delegated Act of the European Commission. These liquid assets primarily include deposits with the European Central Bank and state or supranational securities. The average duration of these security holdings was less than one year at 30/06/2020.

Moreover, RCI Banque has also invested in a fund whose assets comprise debt securities issued by European agencies, states and supranational issuers. its average exposure to credit risk is six years, with a limit at nine years. The fund aims for zero exposure to interest-rate risk with a maximum of two years.

Furthermore, hedging against interest-rate or exchange risk with derivatives can give rise to counterparty risk. Nevertheless, the group is subject to the EMIR (European Market Infrastructure Regulation); accordingly, in Europe, derivatives are subject to the counterparty risk mitigation through collateral swaps either bilaterally or vis-à-vis a clearing house.

**Macroeconomic environment**

In the course of the half year, the markets were profoundly affected by the Covid-19 health crisis. The mass intervention of central banks and gradual relaxing of lockdown measures have permitted market conditions to return to normal from the end of May.

The coronavirus epidemic was initially concentrated in China and Asia before spreading worldwide. Between March and April 2020, fears of a major health crisis led many countries to implement strict lockdown measures. These measures were extended until May and had a major impact on economic activity and consumption.

In this context, investors have reduced the risk exposure of their portfolios. Share indexes fell sharply before a partial upturn. The Eurostox50 ended the six months period down 7%.

Corporate bond spreads (IBOXX corporate overall index) also widened, from 70 bps in January to 200 bps at the end of March, before falling back to 160 bps at the end of June.

In order to prevent this health crisis from triggering a major economic crisis, the big central banks have taken sweeping monetary policy measures.

In the United States, the Federal Reserve reactivated an asset purchase program comprising government bonds, municipal bonds, corporate bonds, mortgage-backed securities and securitizations for a total of US$2,600 billion. It also dropped the Fed Funds rate to 0-0.25%, a reduction of 150 bps since the beginning of March and announced that it was planning on keeping it close to 0 until at least 2022.

In response to the pandemic, the European Central Bank announced a new emergency purchase program. Initially announced for €750 billion, the Pandemic Emergency Purchase Programme or PEPP was subsequently increased to €1,350 billion. The terms of TLTRO III were also eased, with a reduction in the rate and a downward recalibration of the growth targets that the banks must meet in order to benefit from the reduced rate.

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

## 5. REFINANCING

Over the six months, the recourse to market lending was modest and the company was largely unaffected by the increased cost of lending. This situation is the result of fewer bonds reaching maturity in 2020 compared with previous years (early refinancing of TLTRO launched in 2016), the slump in car sales and the reduced volume of new loans as a result.

A 7-years fixed rate €750 bond million was issued in January.

In the secure refinancing segment, the revolving periods for private car loan securitizations in the United Kingdom and leasing in Germany were extended by a further year. These operations were renewed for respective amounts of £800 million in the United Kingdom and €358 million in Germany.

Retail customer deposits have increased by €0.9 million since December 2019 to €18.6 billion at June 30, 2020, representing 38.9% of refinancing sources.

These resources, to which should be added, based on the Europe scope, €4.5 billion in undrawn committed credit lines, €3.6 billion in assets eligible as collateral under ECB monetary policy operations, €5.0 billion in high quality liquid assets (HQLA) and €0.4 billion in financial assets, enable RCI Banque to maintain the financing granted to its customers for over 15 months without access to external sources of liquidity.

In a complex and volatile environment, the conservative financial policy implemented by the group for a number of years proved especially justified. This policy protects the commercial margin of each entity while securing the refinancing required for its business activities. It is defined and implemented at a consolidated level 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 €50 million limit set by the group.

At June 30, 2020, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

- -€6.5 million in EUR,
- +€5.9 million in GBP,
- +€1.3 million in MAD,
- -€0.6 million in CHF,
- +€0.4 million in KRW,
- +€0.3 million in PLN,
- -€0.6 million in BRL,
- +€0.1 million in RON,
- +€0.2 million in CZK,
- +€0.1 million in ARS.

The absolute sensitivity values in each currency totaled €16.1 million.

Groupe RCI Banque's consolidated forex position[2] was €5.3 million.

## 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 30 June 2020, the ratios calculated do not show any non-compliance with the regulatory requirements.

[2] Foreign exchange position excluding subsidiary holdings.

# 7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1 : Segment information

| In millions of euros | Customer | Dealer financing | Other | Total 06/2020 |
|---|---|---|---|---|
| Average performing loan outstandings | 36 651 | 10 327 | | 46 978 |
| Net banking income | 800 | 130 | 80 | 1 010 |
| Gross operating income | 578 | 105 | 19 | 702 |
| Operating income | 363 | 86 | 17 | 466 |
| Pre-tax income | 371 | 85 | 17 | 473 |

| In millions of euros | Customer | Dealer financing | Other | Total 12/2019 |
|---|---|---|---|---|
| Average performing loan outstandings | 36 185 | 10 231 | | 46 416 |
| Net banking income | 1 628 | 252 | 216 | 2 096 |
| Gross operating income | 1 185 | 193 | 115 | 1 493 |
| Operating income | 1 009 | 202 | 105 | 1 316 |
| Pre-tax income | 1 023 | 202 | 102 | 1 327 |

| In millions of euros | Customer | Dealer financing | Other | Total 06/2019 |
|---|---|---|---|---|
| Average performing loan outstandings | 35 441 | 10 315 | | 45 756 |
| Net banking income | 809 | 130 | 69 | 1 008 |
| Gross operating income | 586 | 101 | 4 | 691 |
| Operating income | 508 | 95 | (5) | 598 |
| Pre-tax income | 518 | 95 | (6) | 607 |

Contributions by market are analyzed, for the different periods presented, for the main aggregates on the income statement and for average performing loans outstanding.

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 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 loans 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.

## Note 2 : Cash and balances at central banks

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Cash and balances at central banks** | **4 457** | **1 494** |
| Cash and balances at Central Banks | 4 457 | 1 494 |
| **Term deposits at Central Banks** | **21** | **33** |
| Accrued interest | 21 | 33 |
| **Total cash and balances at central banks** | **4 478** | **1 527** |

## Note 3 : Derivatives

| In millions of euros | 06/2020 | | 12/2019 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| **Fair value of financial assets and liabilities recognized as derivatives held for trading purposes** | **11** | **21** | **3** | **16** |
| Interest-rate derivatives | 1 | 11 | 1 | 5 |
| Currency derivatives | 10 | 10 | 2 | 11 |
| **Fair value of financial assets and liabilities recognized as derivatives used for hedging** | **204** | **83** | **174** | **76** |
| Interest-rate and currency derivatives: Fair value hedges | 198 | | 162 | 3 |
| Interest-rate derivatives: Cash flow hedges | 6 | 83 | 12 | 73 |
| **Total derivatives** | **215** | **104** | **177** | **92** |

"Other derivatives" includes the adjustment for credit risk of -€1.207 million at 30 June 2020, which breaks down into an income of +€1.434 million for the DVA and an expense of -€0.227 million for the CVA. The adjustment of the CVA/DVA hedges the counterparty risk generated by non-offset derivatives.

These lines mainly include OTC derivatives contracted by the RCI Banque group as part of its currency and interest-rate risk hedging policy.

Derivatives qualifying as cash flow hedging are backed by variable rate debts and, since the application of the third strand of IFRS 9 since January 2020, by groupings made up of a fixed-rate debt and payer variable swap.

**Nominal values of derivative instruments by maturity and management intent**

| In millions of euros | < 1 year | 1 year to 5 years | > 5 years | Total 06/2020 | *Related parties* |
|---|---|---|---|---|---|
| **Hedging of currency risk** | | | | | |
| Forward forex contracts | | | | | |
| Sales | 918 | | | 918 | |
| Purchases | 913 | | | 913 | |
| Spot forex transactions | | | | | |
| Loans | 107 | | | 107 | |
| Borrowings | 107 | | | 107 | |
| Currency swaps | | | | | |
| Loans | 98 | 220 | | 318 | |
| Borrowings | 92 | 223 | | 315 | |
| **Hedging of interest-rate risk** | | | | | |
| Interest rate swaps | | | | | |
| Lender | 8 518 | 9 715 | 2 150 | 20 383 | |
| Borrower | 8 518 | 9 715 | 2 150 | 20 383 | |

| 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 | 06/2020 | 12/2019 |
|---|---|---|
| **Financial assets at fair value through other comprehensive income** | **1 093** | **1 364** |
| Government debt securities and similar | 830 | 1 066 |
| Bonds and other fixed income securities | 262 | 297 |
| Interests in companies controlled but not consolidated | 1 | 1 |
| **Financial assets at fair value through profit or loss** | **239** | **105** |
| Variable income securities | 22 | 22 |
| Bonds and other fixed income securities | 214 | 80 |
| Interests in companies controlled but not consolidated | 3 | 3 |
| **Total financial assets (*)** | **1 332** | **1 469** |
| *(*) Of which related parties* | *4* | *4* |

## Note 5 : Amounts receivable at amortised cost from credit institutions

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Credit balances in sight accounts at credit institutions** | **1 101** | **1 110** |
| Ordinary accounts in debit | 1 014 | 1 073 |
| Overnight loans | 87 | 37 |
| **Term deposits at credit institutions** | **178** | **169** |
| Term loans in bucket 1 | 118 | 109 |
| Term loans in bucket 2 | 60 | 60 |
| **Total amounts receivable from credit institutions (*)** | **1 279** | **1 279** |
| *(*) Of which related parties* | *60* | *60* |

Credit balances in sight accounts are included in the "Cash and cash equivalents" line in the cash flow statement.

Current bank accounts held by the FCTs (*Fonds Commun de Titrisation*) contribute in part to the funds' credit enhancement. They totaled €611 million at end-June 2020 and are included in "Ordinary Accounts in debit".

Overnight loan transactions with Central Banks are included in "Cash and balances at Central Banks".

## Note 6 : Customer finance transactions and similar

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Loans and advances to customers** | **46 805** | **50 582** |
| Customer finance transactions | 33 033 | 37 143 |
| Finance lease transactions | 13 772 | 13 439 |
| **Operating lease transactions** | **1 330** | **1 227** |
| **Total customer finance transactions and similar** | **48 135** | **51 809** |

At 30 June 2020, direct financing of Renault Group subsidiaries and branches amounted to €1,069 million against €874 million at 31 December 2019.

At 30 June 2020, the dealer network had, as a business contributor, collected income of €329 million against €473 million at 30 June 2019.

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 30 June 2020, this contribution amounted to €228 million against €325 million at 30 June 2019.

The gross value of forborne loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulties (or likely to experience financial difficulty in the future) came to €235 million and is impaired by €53 million at 30 June 2020. The share of restructuring linked to Covid-19 totaled €192 million (of which €187 million for Customers and €9 million for Dealer financing) and was subject to a total impairment allowance of €9 million, mainly for Customers.

### 6.1 - Customer finance transactions

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Loans and advances to customers** | **33 246** | **37 243** |
| Healthy factoring | 196 | 502 |
| Factoring with a significant increase in credit risk since initial recognition | 3 | 44 |
| Other healthy commercial receivables | 5 | 3 |
| Other healthy customer credit | 29 890 | 33 598 |
| Other customer credit with a significant increase in credit risk since initial recognition | 2 272 | 2 005 |
| Healthy ordinary accounts in debit | 398 | 617 |
| Defaulted receivables | 482 | 474 |
| **Interest receivable on customer loans and advances** | **73** | **91** |
| Other non-defaulted customer credit | 35 | 46 |
| Non-defaulted ordinary accounts | 34 | 41 |
| Defaulted receivables | 4 | 4 |
| **Total of items included in amortized cost - Customer loans and advances** | **438** | **447** |
| Staggered handling charges and sundry expenses - Received from customers | (54) | (61) |
| Staggered contributions to sales incentives by manufacturer or dealers | (462) | (542) |
| Staggered fees paid for referral of business | 954 | 1 050 |
| **Impairment on loans and advances to customers** | **(724)** | **(638)** |
| Impairment on healthy receivables | (130) | (119) |
| Impairment on receivables with a significant increase in credit risk since initial recognition | (165) | (120) |
| Impairment on defaulted receivables | (334) | (320) |
| Impairment on residual value | (95) | (79) |
| **Total customer finance transactions, net** | **33 033** | **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 impairment allowances on them 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.

### 6.2 - Finance lease transactions

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Finance lease transactions** | **13 988** | **13 605** |
| Other healthy customer credit | 12 642 | 12 140 |
| Other customer credit with a significant increase in credit risk since initial recognition | 1 102 | 1 277 |
| Defaulted receivables | 244 | 188 |
| **Accrued interest on finance lease transactions** | **14** | **14** |
| Other non-defaulted customer credit | 13 | 13 |
| Defaulted receivables | 1 | 1 |
| **Total of items included in amortized cost - Finance leases** | **41** | **24** |
| Staggered handling charges | 61 | 68 |
| Staggered contributions to sales incentives by manufacturer or dealers | (308) | (337) |
| Staggered fees paid for referral of business | 288 | 293 |
| **Impairment on finance leases** | **(271)** | **(204)** |
| Impairment on healthy receivables | (49) | (33) |
| Impairment on receivables with a significant increase in credit risk since initial recognition | (76) | (55) |
| Impairment on defaulted receivables | (145) | (115) |
| Impairment on residual value | (1) | (1) |
| **Total finance lease transactions, net** | **13 772** | **13 439** |

### 6.3 - Operating lease transactions

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Fixed asset net value on operating lease transactions** | **1 333** | **1 251** |
| Gross value of tangible assets | 1 760 | 1 619 |
| Depreciation of tangible assets | (427) | (368) |
| **Receivables on operating lease transactions** | **22** | **16** |
| Non-defaulted receivables | 16 | 11 |
| Defaulted receivables | 9 | 8 |
| Income and charges to be staggered | (3) | (3) |
| **Impairment on operating leases** | **(25)** | **(40)** |
| Impairment on non-defaulted receivables | (1) | (1) |
| Impairment on defaulted receivables | (6) | (6) |
| Impairment on residual value | (18) | (33) |
| **Total operating lease transactions, net (*)** | **1 330** | **1 227** |
| *(*) Of which related parties* | *(1)* | *(1)* |

## Note 7 : Customer finance transactions by business segment

| In millions of euros | Customer | Dealer financing | Other | Total 06/2020 |
|---|---|---|---|---|
| **Gross value** | **38 638** | **9 980** | **537** | **49 155** |
| Healthy receivables | 35 100 | 9 396 | 536 | 45 032 |
| *On % of total receivables* | *90,8%* | *94,1%* | *99,8%* | *91,6%* |
| Receivables with a significant increase in credit risk since initial recognition | 2 867 | 516 | | 3 383 |
| *On % of total receivables* | *7,4%* | *5,2%* | | *6,9%* |
| Defaulted receivables | 671 | 68 | 1 | 740 |
| *On % of total receivables* | *1,7%* | *0,7%* | *0,2%* | *1,5%* |
| **Impairment allowance** | **(903)** | **(115)** | **(2)** | **(1 020)** |
| Impairment on healthy receivables | (227) | (65) | (2) | (294) |
| *On % of total impairment* | *25,1%* | *56,5%* | *100,0%* | *28,8%* |
| Impairment on receivables with a significant increase in credit risk since initi | (224) | (17) | | (241) |
| *On % of total impairment* | *24,8%* | *14,8%* | | *23,6%* |
| Impairment on defaulted receivables | (452) | (33) | | (485) |
| *On % of total receivables* | *50,1%* | *28,7%* | | *47,5%* |
| ***Coverage rate*** | ***2,3%*** | ***1,2%*** | ***0,4%*** | ***2,1%*** |
| *Healthy receivables* | *0,6%* | *0,7%* | *0,4%* | *0,7%* |
| *Receivables with a significant increase in credit risk since initial recognition* | *7,8%* | *3,3%* | | *7,1%* |
| *Defaulted receivables* | *67,4%* | *48,5%* | | *65,5%* |
| **Net value (*)** | **37 735** | **9 865** | **535** | **48 135** |
| *(*) Of which: related parties (excluding participation in incentives and fees paid* | *13* | *1 069* | *320* | *1 402* |

| 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 initi | (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) | 06/2020 |
|---|---|---|---|---|---|
| Healthy receivables | 48 683 | 25 800 | (1 165) | (28 286) | 45 032 |
| Receivables with a significant increase in credit risk since | 3 333 | | 901 | (851) | 3 383 |
| Defaulted receivables | 675 | | 264 | (199) | 740 |
| **Customer finance transactions (GV)** | **52 691** | **25 800** | | **(29 336)** | **49 155** |

*(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) | 06/2020 |
|---|---|---|---|---|---|---|
| Impairment on healthy receivables (*) | 266 | 74 | (62) | 22 | (6) | 294 |
| Impairment on receivables with a significant increase in cr | 175 | 22 | (16) | 71 | (11) | 241 |
| Impairment on defaulted receivables | 441 | 27 | (92) | 119 | (10) | 485 |
| **Impairments of customer finance transactions** | **882** | **123** | **(170)** | **212** | **(27)** | **1 020** |

*(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*

(*) The impairment on healthy receivables includes impairment on residual values for €114 million.

The economic consequences of the health crisis contributed to an increase in B3 outstandings (+12.6% compared with December 2019) prompting an increase in provisions of €45 million with provisioning down slightly to 67.4% (versus 68.3% at the end of December 2019).

The provisioning rate for B2 outstandings increased from 5.4% to 7.8% compared with the end of December 2019, following the deterioration of risk parameters, particularly LGD, adversely affected by the repercussions of lockdown policies on collection processes (inability to collect vehicles in particular) and on the economies of affected countries. This resulted in an increase in B2 provisions of €58.9 million despite a fall in outstandings of 5.5%.

## Note 8 : Adjustment accounts & miscellaneous assets

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Tax receivables** | **413** | **432** |
| Current tax assets | 62 | 16 |
| Deferred tax assets | 176 | 171 |
| Tax receivables other than on current income tax | 175 | 245 |
| **Adjustment accounts and other assets** | **1 125** | **1 069** |
| Social Security and employee-related receivables | 4 | |
| Other sundry debtors | 483 | 451 |
| Adjustment accounts - Assets | 81 | 59 |
| Other assets | 2 | 1 |
| Items received on collections | 391 | 373 |
| Reinsurer part in technical provisions | 164 | 185 |
| **Total adjustment accounts – Assets and other assets (*)** | **1 538** | **1 501** |
| *(*) Of which related parties* | *150* | *259* |

## Note 9 : Liabilities to credit institutions and customers & debt securities

### 9.1 - Central Banks

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| Term borrowings | 2 250 | 2 700 |
| **Total Central Banks** | **2 250** | **2 700** |

At 30 June 2020, the book value of the collateral presented to the Bank of France (3G) amounted to €6,511 million, i.e. €5,682 million in securities issued by securitization vehicles, €712 million in private accounts receivable and €117 million in eligible bond securities.

### 9.2 - Amounts payable to credit institutions

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Sight accounts payable to credit institutions** | **236** | **135** |
| Ordinary accounts | 28 | 11 |
| Overnight borrowings | 2 | 7 |
| Other amounts owed | 206 | 117 |
| **Term accounts payable to credit institutions** | **2 300** | **2 645** |
| Term borrowings | 2 223 | 2 555 |
| Accrued interest | 77 | 90 |
| **Total liabilities to credit institutions** | **2 536** | **2 780** |

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

### 9.3 - Amounts payable to customers

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Amounts payable to customers** | **19 209** | **18 512** |
| Ordinary accounts in credit | 184 | 124 |
| Term accounts in credit | 500 | 700 |
| Ordinary saving accounts | 13 084 | 12 986 |
| Term deposits (retail) | 5 441 | 4 702 |
| **Other amounts payable to customers and accrued interest** | **94** | **93** |
| Other amounts payable to customers | 56 | 61 |
| Accrued interest on ordinary accounts in credit | 4 | 9 |
| Accrued interest on ordinary saving accounts | 12 | 17 |
| Accrued interest on customers term accounts | 22 | 6 |
| **Total amounts payable to customers (*)** | **19 303** | **18 605** |
| *(*) Of which related parties* | *570* | *728* |

Term accounts in credit include a €500m cash warrant agreement given to RCI Banque 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 February 2012, in Germany in February 2013, in Austria in April 2014, in the United Kingdom in June 2015 and in Brazil in March 2019, marketing both savings accounts and term deposits accounts.

### 9.4 - Debt securities

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Negotiable debt securities (1)** | **1 144** | **1 948** |
| Certificates of deposit | 914 | 1 681 |
| Commercial paper and similar | | 29 |
| French MTNs and similar | 220 | 220 |
| Accrued interest on negotiable debt securities | 10 | 18 |
| **Other debt securities (2)** | **2 801** | **3 243** |
| Other debt securities | 2 800 | 3 242 |
| Accrued interest on other debt securities | 1 | 1 |
| **Bonds and similar** | **18 846** | **18 825** |
| Bonds | 18 744 | 18 699 |
| Accrued interest on bonds | 102 | 126 |
| **Total debt securities (*)** | **22 791** | **24 016** |
| *(*) Of which related parties* | | *78* |

(1) Certificates of deposit, treasury notes and commercial paper 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 consist primarily of the securities issued by the SPVs created for the German (RCI Banque S.A. Niederlassung Deutschland), UK (RCI Financial Services Ltd), Brazilian (Banco RCI Brasil S.A. and Corretora de Seguros RCI Brasil S.A.) securitizations, French (Diac S.A.), and Italian (RCI Banque Succursale Italiana).

## Note 10 : Adjustment accounts & miscellaneous liabilities

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Taxes payable** | **789** | **750** |
| Current tax liabilities | 173 | 129 |
| Deferred tax liabilities | 586 | 588 |
| Taxes payable other than on current income tax | 30 | 33 |
| **Adjustment accounts and other amounts payable** | **2 071** | **1 895** |
| Social security and employee-related liabilities | 62 | 57 |
| Other sundry creditors | 987 | 916 |
| Adjustment accounts - liabilities | 547 | 562 |
| Accrued interest on other sundry creditors | 418 | 354 |
| Collection accounts | 57 | 6 |
| **Total adjustment accounts - Liabilities and other liabilities (*)** | **2 860** | **2 645** |
| *(*) Of which related parties* | *319* | *145* |

## Note 11 : Provisions

| In millions of euros | 12/2019 | Charge | Reversals | | Other (*) | 06/2020 |
|---|---|---|---|---|---|---|
| | | | Used | Not Used | | |
| **Provisions on banking operations** | **525** | **134** | **(15)** | **(134)** | **(3)** | **507** |
| Provisions for signature commitments | 6 | 8 | | (3) | (1) | 10 |
| Provisions for litigation risks | 9 | 1 | | (2) | (2) | 6 |
| Insurance technical provisions | 488 | 122 | (15) | (125) | (1) | 469 |
| Other provisions | 22 | 3 | | (4) | 1 | 22 |
| **Provisions on non-banking operations** | **148** | **4** | **(7)** | **(3)** | **(7)** | **135** |
| Provisions for pensions liabilities and related | 63 | 3 | (3) | (1) | 2 | 64 |
| Provisions for restructuring | 14 | | (3) | | 1 | 12 |
| Provisions for tax and litigation risks | 67 | 1 | (1) | (1) | (11) | 55 |
| Other | 4 | | | (1) | 1 | 4 |
| **Total provisions** | **673** | **138** | **(22)** | **(137)** | **(10)** | **642** |

*(*) 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.

Every so often, the group's companies are subject to tax audits in the countries where they are based. Uncontested deficiency notices are booked by means of tax provisions. Contested deficiency notices are recognized case by case on the basis of estimates taking into account the merit of the claims against the company concerned and the risk that it may not prevail in its case.

Other provisions on banking operations mainly consist of the insurance technical provision for captive insurance company commitments towards policy holders and beneficiaries. The insurance technical provision came to June €469 million at end-June 2020.

## Note 12 : Impairments allowances to cover counterparty risk

| In millions of euros | 12/2019 | Charge | Reversals | | Other (*) | 06/2020 |
|---|---|---|---|---|---|---|
| | | | Used | Not Used | | |
| **Impairments on banking operations** | **882** | **392** | **(141)** | **(68)** | **(45)** | **1 020** |
| Credit institutions transactions | | 1 | | | (1) | |
| Customer finance transactions | 882 | 391 | (141) | (68) | (44) | 1 020 |
| *Ow impairment on healthy receivables* | *266* | *126* | *(33)* | *(43)* | *(22)* | *294* |
| *Ow impairment on receivables with a significant increase in cred* | *175* | *121* | *(31)* | *(13)* | *(11)* | *241* |
| *Ow Impairment on defaulted receivables* | *441* | *144* | *(77)* | *(12)* | *(11)* | *485* |
| **Impairment on non-banking operations** | **4** | **1** | **(1)** | | **(1)** | **3** |
| Impairment for signature commitments | 4 | 1 | (1) | | (1) | 3 |
| **Impairment on banking operations** | **15** | **9** | | **(5)** | **(3)** | **16** |
| Provisions for signature commitments | 6 | 8 | | (3) | (1) | 10 |
| Provisions for litigation risks | 9 | 1 | | (2) | (2) | 6 |
| **Total provisions to cover counterparty risk** | **901** | **402** | **(142)** | **(73)** | **(49)** | **1 039** |

*(*) 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 13 : Subordinated debt - Liabilities

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Liabilities measured at amortized cost** | **859** | **853** |
| Subordinated securities | 850 | 850 |
| Accrued interest on subordinated securities | 9 | 3 |
| **Hedged liabilities measured at fair value** | **12** | **14** |
| Participating loan stocks | 12 | 14 |
| **Total subordinated liabilities** | **871** | **867** |

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

The system of remuneration includes:

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

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

It is a perpetual loan.

## Note 14 : 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 06/2020 |
|---|---|---|---|---|---|
| **Financial assets** | **16 037** | **14 841** | **22 436** | **795** | **54 109** |
| Cash and balances at central banks | 4 457 | 21 | | | 4 478 |
| Derivatives | 7 | 18 | 104 | 86 | 215 |
| Financial assets | 337 | 519 | 271 | 205 | 1 332 |
| Amounts receivable from credit institutions | 1 219 | | 60 | | 1 279 |
| Loans and advances to customers | 10 017 | 14 283 | 22 001 | 504 | 46 805 |
| **Financial liabilities** | **16 451** | **7 436** | **20 375** | **3 593** | **47 855** |
| Central Banks | | 1 500 | 750 | | 2 250 |
| Derivatives | 9 | 41 | 54 | | 104 |
| Amounts payable to credit institutions | 505 | 886 | 1 145 | | 2 536 |
| Amounts payable to customers | 14 211 | 1 837 | 2 755 | 500 | 19 303 |
| Debt securities | 1 726 | 3 164 | 15 671 | 2 230 | 22 791 |
| Subordinated debt | | 8 | | 863 | 871 |

| 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 long-term financing operations (TLTRO) introduced at the end of 2014 and gradually being used by RCI Banque.

## Note 15 : 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 - 30/06/2020 | Book Value | Fair Value | | | | Gap (*) |
|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | FV (*) | |
| **Financial assets** | **54 109** | **1 328** | **5 972** | **46 584** | **53 884** | **(225)** |
| Cash and balances at central banks | 4 478 | | 4 478 | | 4 478 | |
| Derivatives | 215 | | 215 | | 215 | |
| Financial assets | 1 332 | 1 328 | | 4 | 1 332 | |
| Amounts receivable from credit institutions | 1 279 | | 1 279 | | 1 279 | |
| Loans and advances to customers | 46 805 | | | 46 580 | 46 580 | (225) |
| **Financial liabilities** | **47 855** | **13** | **47 021** | | **47 034** | **821** |
| Central Banks | 2 250 | | 2 197 | | 2 197 | 53 |
| Derivatives | 104 | | 104 | | 104 | |
| Amounts payable to credit institutions | 2 536 | | 2 533 | | 2 533 | 3 |
| Amounts payable to customers | 19 303 | | 19 303 | | 19 303 | |
| Debt securities | 22 791 | | 22 088 | | 22 088 | 703 |
| Subordinated debt | 871 | 13 | 796 | | 809 | 62 |

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

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

Trade receivables, classified as Level 3, are measured at amortized cost on the balance sheet. Fair value calculations are provided for information and should be interpreted as estimates only. In most cases, the values provided are not intended to be realized and generally cannot be in practice. These values are not indicators used for the purposes of managing the activities of the bank, for which the management model is based on collecting the expected cash flow.

The assumptions used to calculate the fair value of instruments at the impaired 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 30 June 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 30 June 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 30 June 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 16 : 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 - 30/06/2020 | 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** | **1 344** | | **1 344** | **40** | **578** | | **726** |
| Derivatives | 215 | | 215 | 40 | | | 175 |
| Network financing receivables (1) | 1 129 | | 1 129 | | 578 | | 551 |
| **Liabilities** | **104** | | **104** | **40** | | | **64** |
| Derivatives | 104 | | 104 | 40 | | | 64 |

(1) The gross book value of dealer financing receivables breaks down into €935 million for the Renault Retail Group, whose exposures are hedged for up to €495 million by a cash warrant agreement given by the Renault manufacturer (see note 9.3) and €194 million for dealers financed by Banco RCI Brasil S.A, whose exposures are hedged for up to €83 million by pledge of *letras de cambio* subscribed to 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 9.3) 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* subscribed to by the dealers.

## Note 17 : Commitments given

| **In millions of euros** | **06/2020** | **12/2019** |
|---|---|---|
| **Financing commitments** | **3 098** | **2 553** |
| Commitments to credit institutions | | 4 |
| Commitments to customers | 3 098 | 2 549 |
| **Guarantee commitments** | **195** | **216** |
| Commitments to credit institutions | 36 | 57 |
| Customer guarantees | 159 | 159 |
| **Commitments on securities** | **170** | |
| Other securities receivable | 170 | |
| **Other commitments given** | **29** | **29** |
| Commitments given for equipment leases and real estate leases | 29 | 29 |
| **Total commitments given (*)** | **3 492** | **2 798** |
| *(*) Of which related parties* | *9* | *7* |

## Note 18 : Commitments received

| In millions of euros | 06/2020 | 12/2019 |
|---|---|---|
| **Financing commitments** | **4 832** | **4 847** |
| Commitments from credit institutions | 4 832 | 4 847 |
| **Guarantee commitments** | **15 858** | **16 313** |
| Guarantees received from credit institutions | 215 | 228 |
| Guarantees from customers | 5 758 | 6 741 |
| Commitments to take back leased vehicles at the end of the contract | 9 885 | 9 344 |
| **Other commitments received** | **25** | **25** |
| Other commitments received | 25 | 25 |
| **Total commitments received (*)** | **20 715** | **21 185** |
| *(*) Of which related parties* | *5 421* | *5 408* |

At 30 June 2020, RCI Banque had €4,488 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also had €3,714 millions of receivables eligible as European Central Bank collateral (after haircuts and excluding securities and receivables already in use to secure financing at period-end).

Most of the commitments received from related parties concern commitments to take back vehicles agreed with manufacturers as part of finance leases.

### Guarantees and collateral

Guarantees and 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 actively and rigorously manages its sureties, among other things by diversifying them (e.g. credit insurance, personal and other guarantees).

## Note 19 : Interest and similar income

| In millions of euros | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|
| **Interests ans similar incomes** | **1 421** | **1 475** | **2 966** |
| Transactions with credit institutions | 13 | 17 | 34 |
| Customer finance transactions | 1 030 | 1 088 | 2 173 |
| Finance lease transactions | 342 | 326 | 671 |
| Accrued interest due and payable on hedging instruments | 30 | 35 | 72 |
| Accrued interest due and payable on Financial assets | 6 | 9 | 16 |
| **Staggered fees paid for referral of business:** | **(403)** | **(375)** | **(770)** |
| Customer Loans | (313) | (302) | (614) |
| Finance leases | (90) | (73) | (156) |
| **Total interests and similar income (*)** | **1 018** | **1 100** | **2 196** |
| *(*) Of which related parties* | *356* | *368* | *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 20 : Interest expenses and similar charges

| In millions of euros | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|
| Transactions with credit institutions | (103) | (104) | (203) |
| Customer finance transactions | (60) | (64) | (130) |
| Finance lease transactions | (2) | (1) | (2) |
| Accrued interest due and payable on hedging instruments | (23) | (26) | (54) |
| Expenses on debt securities | (138) | (176) | (340) |
| Other interest and similar expenses | (6) | (9) | (15) |
| **Total interest and similar expenses (*)** | **(332)** | **(380)** | **(744)** |
| *(*) Of which related parties* | | *(2)* | *(4)* |

## Note 21 : Fees and commissions

| In millions of euros | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|
| **Fees and commissions income** | **300** | **301** | **605** |
| Commissions | 10 | 9 | 19 |
| Fees | 9 | 11 | 21 |
| Commissions from service activities | 40 | 41 | 82 |
| Insurance brokerage commission | 30 | 33 | 65 |
| Incidental insurance commissions from finance contracts | 115 | 113 | 226 |
| Incidental maintenance commissions from finance contracts | 63 | 63 | 129 |
| Other incidental commissions from finance contracts | 33 | 31 | 63 |
| **Fees and commissions expenses** | **(109)** | **(113)** | **(234)** |
| Commissions | (12) | (11) | (22) |
| Commissions on service activities | (29) | (29) | (57) |
| Incidental insurance commissions from finance contracts | (10) | (13) | (29) |
| Incidental maintenance commissions from finance contracts | (38) | (42) | (86) |
| Other incidental commissions from finance contracts | (20) | (18) | (40) |
| **Total net commissions (*)** | **191** | **188** | **371** |
| *(*) Of which related parties* | *6* | *6* | *13* |

The services and the costs of ancillary finance contract services and the income and costs of service activities primarily concern insurance and maintenance services.

## Note 22 : Net income or expense of other activities

| In millions of euros | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|
| **Other income from banking operations** | **470** | **476** | **1 004** |
| Income from insurance activities | 202 | 238 | 472 |
| Income related to non-doubtful lease contracts | 141 | 123 | 294 |
| of which reversal of impairment on residual values | *35* | *4* | *27* |
| Income from operating lease transactions | 116 | 103 | 215 |
| Other income from banking operations | 11 | 12 | 23 |
| of which reversal of charge to reserve for banking risks | *4* | *4* | *8* |
| **Other expenses of banking operations** | **(333)** | **(355)** | **(758)** |
| Cost of insurance activities | (56) | (98) | (182) |
| Expenses related to non-doubtful lease contracts | (139) | (130) | (305) |
| of which allowance for impairment on residual values | *(49)* | *(13)* | *(36)* |
| Distribution costs not treatable as interest expense | (42) | (47) | (93) |
| Expenses related to operating lease transactions | (84) | (71) | (154) |
| Other expenses of banking operations | (12) | (9) | (24) |
| of which charge to reserve for banking risks | *(3)* | *(4)* | *(8)* |
| **Other operating income and expenses** | **2** | **(1)** | **5** |
| Other operating income | 6 | 7 | 24 |
| Other operating expenses | (4) | (8) | (19) |
| **Total net income (expense) of other activities (*)** | **139** | **120** | **251** |
| *(*) Of which related parties* | *(2)* | *(4)* | *(10)* |

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities are presented in Note 21.

Income and expenses of service activities include the income and expenses booked for insurance policies issued by the group's captive insurance companies.

## Note 23 : General operating expenses and personnal costs

| In millions of euros | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|
| **Personnel costs** | **(146)** | **(149)** | **(308)** |
| Employee pay | (98) | (99) | (202) |
| Expenses of post-retirement benefits - Defined-contribution pension plan | (8) | (10) | (18) |
| Expenses of post-retirement benefits - Defined-benefit pension plan | | | (1) |
| Other employee-related expenses | (33) | (34) | (71) |
| Other personnel expenses | (7) | (6) | (16) |
| **Other administrative expenses** | **(153)** | **(159)** | **(277)** |
| Taxes other than current income tax | (42) | (38) | (43) |
| Rental charges | (4) | (4) | (7) |
| Other administrative expenses | (107) | (117) | (227) |
| **Total general operating expenses (*)** | **(299)** | **(308)** | **(585)** |
| *(*) Of which related parties* | *4* | *(1)* | *(1)* |

Other personnel expenses include amounts charged to and reversed from provisions for restructuring, for the *Compte Epargne Temps* (work-time savings account) and for personnel-related risks.

## Note 24 : Cost of risk by customer category

| In millions of euros | 06/2020 | 06/2019 | 12/2019 |
|---|---|---|---|
| **Cost of risk on customer financing** | **(216)** | **(77)** | **(176)** |
| Impairment allowances | (294) | (143) | (277) |
| Reversal of impairment | 137 | 112 | 198 |
| Losses on receivables written off | (74) | (64) | (133) |
| Amounts recovered on loans written off | 15 | 18 | 36 |
| **Cost of risk on dealer financing** | **(19)** | **(6)** | **9** |
| Impairment allowances | (47) | (33) | (80) |
| Reversal of impairment | 29 | 26 | 89 |
| Losses on receivables written off | (1) | | (1) |
| Amounts recovered on loans written off | | 1 | 1 |
| **Other cost of risk** | **(1)** | **(10)** | **(10)** |
| Change in allowance for impairment of other receivables | | (10) | 1 |
| Other valuation adjustments | (1) | | (11) |
| **Total cost of risk (*)** | **(236)** | **(93)** | **(177)** |
| *(*) Of which related parties* | | *(10)* | *(11)* |

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

The cost of risk on the Customer business segment (retail customers and corporate finance) saw a sharp increase in the first half of 2020. The provisioning rate for B2 outstandings increased significantly compared with the end of December 2019, affected by the negative repercussions of lockdown policies on collection recovery processes (inability to collect vehicles in particular). This resulted in an increase in B2 provisions of €58.9 million despite a corresponding fall in outstandings of 5.5%. The economic consequences of the health crisis contributed to an increase in B3 outstandings resulting in an increase in provisions of €45 million.

In the Dealer financing segment, the cost of risk was adversely affected by updated macro-economic forecasts in the context of forward-looking provisioning under IFRS 9.

## Note 25 : Income tax

| **In millions of euros** | **06/2020** | **06/2019** | **12/2019** |
|---|---|---|---|
| **Current tax expense** | **(92)** | **(170)** | **(294)** |
| Current tax expense | (92) | (170) | (294) |
| **Deferred taxes** | **14** | **(10)** | **(98)** |
| Income (expense) of deferred taxes, gross | 13 | (10) | (98) |
| Change in allowance for impairment of deferred tax assets | 1 | | |
| **Total income tax** | **(78)** | **(180)** | **(392)** |

The RCI Banque group's effective tax rate was 16.34% at 30 June 2020, compared with 29.60% at 30 June 2019 and 29.57% at 31 December 2019

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) includes in current income tax is -€2 million.

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 June 30, 2020 factors in tax income of €51 million. This tax income corresponds to the repayment by the Maltese State of a tax credit equivalent to 6/7 of 2019 tax expenses (i.e. 6/7 of €59 million). At the end of June 2020, this credit was recorded in the financial statements following the payment of dividends of the Maltese entities. In June 2019, this same type of dividend was only paid in the second half of 2019.

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 rate of corporation tax provided for in the French Finance Act. At the end of June 2020, this impact generated a deferred income tax loss of -€24.3 million.

There was a €23 million variation in deferred tax income at June 30, 2020. Deferred tax income recognized in June 2020 was essentially related to the reduction in deferred tax rates in France which, under the current budget, were brought down from 32.02% to 28.41%.

## Note 26 : Events after the end of the reporting period

No events occurred between the reporting period end date and 24 July 2020, when the Board of Directors approved the financial statements that might have a significant impact on the financial statements ended 30 June 2020.