



RCI BANQUE

CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

SUMMARY

BALANCE SHEET AND INCOME STATEMENT.....	3
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	6
CONSOLIDATED CASH FLOW STATEMENT	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8
1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS	8
2. KEY HIGHLIGHTS.....	8
3. ACCOUNTING RULES AND METHODS.....	9
4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT	12
5. REFINANCING.....	14
6. REGULATORY REQUIREMENTS	14
7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	15

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	06/2019	12/2018
Cash and balances at central banks	2	2 356	2 040
Derivatives	3	204	123
Financial assets at fair value through other comprehensive income	4	1 389	902
Financial assets at fair value through profit or loss	4	171	166
Amounts receivable at amortised cost from credit institutions	5	1 169	1 033
Loans and advances at amortised cost to customers	6 et 7	48 242	46 587
Current tax assets	8	17	26
Deferred tax assets	8	165	145
Tax receivables other than on current income tax	8	274	208
Adjustment accounts & miscellaneous assets	8	1 175	953
Investments in associates and joint ventures		131	115
Operating lease transactions	6 et 7	1 129	974
Tangible and intangible non-current assets		95	39
Goodwill		82	83
TOTAL ASSETS		56 599	53 394

LIABILITIES AND EQUITY - In millions of euros	Notes	06/2019	12/2018
Central Banks	9.1	2 500	2 500
Derivatives	3	112	82
Amounts payable to credit institutions	9.2	2 645	2 431
Amounts payable to customers	9.3	17 678	16 781
Debt securities	9.4	24 994	23 509
Current tax liabilities	10	164	124
Deferred tax liabilities	10	492	472
Taxes payable other than on current income tax	10	17	24
Adjustment accounts & miscellaneous liabilities	10	1 711	1 543
Provisions	11	156	148
Insurance technical provisions	11	481	460
Subordinated debt - Liabilities	13	13	13
Equity		5 636	5 307
- Of which equity - owners of the parent		5 587	5 262
Share capital and attributable reserves		814	814
Consolidated reserves and other		4 731	3 923
Unrealised or deferred gains and losses		(372)	(333)
Net income for the year		414	858
- Of which equity - non-controlling interests		49	45
TOTAL LIABILITIES & EQUITY		56 599	53 394

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	06/2019	06/2018	12/2018
Interest and similar income	19	1 100	1 055	2 095
Interest expenses and similar charges	20	(380)	(355)	(702)
Fees and commission income	21	301	273	545
Fees and commission expenses	21	(113)	(103)	(213)
Net gains (losses) on financial instruments at fair value through profit or loss		(20)		(31)
Income of other activities	22	483	477	977
Expense of other activities	22	(363)	(363)	(741)
NET BANKING INCOME		1 008	984	1 930
General operating expenses	23	(308)	(292)	(565)
Depreciation and impairment losses on tangible and intangible assets		(9)	(4)	(10)
GROSS OPERATING INCOME		691	688	1 355
Cost of risk	24	(93)	(80)	(145)
OPERATING INCOME		598	608	1 210
Share in net income (loss) of associates and joint ventures		10	9	15
Gains less losses on non-current assets				
Impact of Profit & Loss for Subsidiaries in Hyperinflation Context		(1)		(10)
PRE-TAX INCOME		607	617	1 215
Income tax	25	(180)	(171)	(333)
NET INCOME		427	446	882
Of which, non-controlling interests		13	11	24
Of which owners of the parent		414	435	858
Net Income per share (1) in euros		414,47	435,39	857,80
Diluted earnings per share in euros		414,47	435,39	857,80

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	06/2019	06/2018	12/2018
NET INCOME	427	446	882
Actuarial differences on post-employment benefits	(7)	(1)	2
<i>Total of items that will not be reclassified subsequently to profit or loss</i>	<i>(7)</i>	<i>(1)</i>	<i>2</i>
Unrealised P&L on cash flow hedge instruments	(22)	16	3
Unrealised P&L on financial assets	1	1	
Exchange differences	(13)	(55)	(65)
<i>Total of items that will be reclassified subsequently to profit or loss</i>	<i>(34)</i>	<i>(38)</i>	<i>(62)</i>
Other comprehensive income	(41)	(39)	(60)
TOTAL COMPREHENSIVE INCOME	386	407	822
Of which Comprehensive income attributable to non-controlling interests	11	18	25
Comprehensive income attributable to owners of the parent	375	389	797

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital	Attribut. reserves	Consolid. reserves	Translation adjust.	Unrealized or deferred P&L	Net income	Equity	Equity	Total Consolidated equity
	(1)	(2)		(3)	(4)	(Shareholders of the parent company)	(Shareholders of the parent company)	(Non-controlling interests)	
Equity at 31 December 2017*	100	714	3 421	(251)	(21)	721	4 684	35	4 719
Appropriation of net income of previous year			721			(721)			
Restatement of Equity opening amount			(82)				(82)	(7)	(89)
Equity at 1 January 2018*	100	714	4 060	(251)	(21)		4 602	28	4 630
Change in value of financial instruments recognized in equity					10		10	7	17
Actuarial differences on defined-benefit pension plans					(1)		(1)		(1)
Exchange differences				(55)			(55)		(55)
Net income for the year (before appropriation)						435	435	11	446
Total comprehensive income for the period				(55)	9	435	389	18	407
Effect of acquisitions, disposals and others			2				2	13	15
Dividend for the period								(13)	(13)
Repurchase commitment of non-controlling interests								(1)	(1)
Equity at 30 June 2018	100	714	4 062	(306)	(12)	435	4 993	45	5 038
Change in value of financial instruments recognized in equity					(11)		(11)	(3)	(14)
Actuarial differences on defined-benefit pension plans					3		3		3
Exchange differences				(7)			(7)	(3)	(10)
Net income for the year (before appropriation)						423	423	13	436
Total comprehensive income for the period				(7)	(8)	423	408	7	415
Effect of acquisitions, disposals and others			7				7	(2)	5
Dividend for the period			(150)				(150)		(150)
Repurchase commitment of non-controlling interests			4				4	(5)	(1)
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 post-employment benefits					(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 other								1	1
Dividend for the period (5)			(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

- (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 2019 relates primarily to Argentina, Brazil, South Korea, United Kingdom, Russia and Turkey. At 31 December 2018, it mainly related to Argentina, Brazil, Russia, United Kingdom, Switzerland, Turkey, Poland and Morocco.
- (4) Includes the fair value of derivatives used as cash flow hedges and fair value on debt instrument for -€26m and IAS 19 actuarial gains and losses for -€19m at end June 2019.
- (5) Distribution to shareholder Renault of the balance of the dividend on the 2018 earnings for 50 million by deduction from the Group share of equity.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	06/2019	06/2018	12/2018
Net income attributable to owners of the parent company	414	435	858
Depreciation and amortization of tangible and intangible non-current assets	9	4	9
Net allowance for impairment and provisions	89	64	158
Share in net (income) loss of associates and joint ventures	(10)	(9)	(15)
Deferred tax (income) / expense	10	19	50
Net loss / gain from investing activities	2	1	4
Net income attributable to non-controlling interests	13	11	24
Other (gains/losses on derivatives at fair value through profit and loss)	28	(21)	(12)
Cash flow	555	504	1 076
Other movements (accrued receivables and payables)	51	(288)	(222)
Total non-monetary items included in net income and other adjustments	193	(219)	(3)
Cash flows on transactions with credit institutions	135	210	337
- Inflows / outflows in amounts receivable from credit institutions	18	44	100
- Inflows / outflows in amounts payable to credit institutions	117	166	237
Cash flows on transactions with customers	(984)	(1 937)	(2 957)
- Inflows / outflows in amounts receivable from customers	(1 881)	(3 045)	(3 963)
- Inflows / outflows in amounts payable to customers	897	1 108	1 006
Cash flows on other transactions affecting financial assets and liabilities	681	2 458	2 833
- Inflows / outflows related to AFS securities and similar	(518)	199	228
- Inflows / outflows related to debt securities	1 366	2 197	2 355
- Inflows / outflows related to collections	(167)	62	250
Cash flows on other transactions affecting non-financial assets and liabilities	(6)	27	
Net change in assets and liabilities resulting from operating activities	(174)	758	213
Net cash generated by operating activities (A)	433	974	1 068
Flows related to financial assets and investments	(1)	(47)	(69)
Flows related to tangible and intangible non-current assets	(8)	(13)	(19)
Net cash from / (used by) investing activities (B)	(9)	(60)	(88)
Net cash from / (to) shareholders	(61)	1	(150)
- Dividends paid	(61)	(13)	(163)
- Inflows / outflows related to non-controlling interests		14	13
Net cash from / (used by) financing activities (C)	(61)	1	(150)
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (D)	7	(24)	(13)
Change in cash and cash equivalents (A+B+C+D)	370	891	817
Cash and cash equivalents at beginning of year:	2 792	1 975	1 975
- Cash and balances at central banks	2 018	1 303	1 303
- Balances in sight accounts at credit institutions	774	672	672
Cash and cash equivalents at end of year:	3 162	2 866	2 792
- Cash and balances at central banks	2 329	1 989	2 018
- Credit balances in sight accounts with credit institutions	1 069	1 069	916
- Debit balances in sight accounts with credit institutions	(236)	(192)	(142)
Change in net cash	370	891	817

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 2019 were established by the Board of Directors on 23 July 2019 which authorized their publication.

The RCI Banque group's consolidated financial statements for the year 2018 were established by the Board of Directors on 8 February 2019 and approved at the General Meeting on 22 May 2019. It has been decided to pay an interim dividend of €150M to the Renault shareholder.

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2019

- Brexit : The probable exit of the United Kingdom from the European Union did not result in the recognition of provisions for risks and charges in the RCI bank group on June 30, 2019. In order to anticipate the consequences of Brexit, as of March 14, 2019, the entire business of RCI Bank UK Branch is transferred to a new entity, RCI Services UK Limited, credit institution, a wholly-owned subsidiary of RCI Holding
- A new *Fonds commun de titrisation* issue:
 - On 29 May 2019, FCT Cars Alliance Auto Loans Germany V2019-1 placed €950m of senior notes and €25.7m of subordinated notes, rated AAA(sf)/Aaa(sf) and AA (high)(sf)/Aa2(sf) respectively by DBRS and Moody's.

3. ACCOUNTING RULES AND METHODS

The interim financial statements for the six months to 30 June 2019 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 2018.

The RCI Banque group's financial statements for the year ended 31 December 2018 were prepared in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) as at 31 December 2018 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 2018.

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 2019.

New mandatory implementing provisions as of 1st January 2019	
IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 9	Prepayment clauses providing for negative compensation
Amendments IAS 19	Modification, reduction or liquidation of a regime
Annual Improvements to IFRS Standards 2015–2017 Cycle	Various provisions concerning: <ul style="list-style-type: none"> - Amendments to IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements” entitled “Interests previously held in joint ventures”; - Amendments to IAS 12 “Income Taxes” entitled “Tax Consequences of Payments on Instruments Classified as Equity”; - Amendments to IAS 23 “Borrowing costs” entitled “Borrowing costs eligible for capitalization”.

The changes related to application of IFRS 16 are presented hereafter.

The other standards and amendments application of which has been mandatory since 1 January 2019 are without significant impact on the group's financial statements.

IFRS 16 “Leases”:

On 9 November 2017 the European Union published IFRS 16 “Leases” in the Official Journal. It applies to the consolidated financial statements of the RCI Banque group from 1st January 2019. This standard replaces IAS 17 “Leases” and the related IFRIC and SIC interpretations. It eliminates the distinction previously made between operating leases and finance leases from the perspective of lessees.

According to IFRS 16, a lessee recognizes an ROU (right of use) asset and a lease liability. The right-of-use asset is amortized over the term of the lease and the lease liability, initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, otherwise at the incremental borrowing rate.

The changes resulting from the adoption of IFRS 16 have been applied retrospectively in a simplified manner in the 2019 accounts. The consolidated financial statements for financial year 2018 presented in comparative periods have not been restated in respect of IFRS 16 and are thus identical to the financial statements published in 2018 according to the accounting principles prevailing in respect of IAS 17.

The RCI Banque group only applies IFRS 16 to significant leases, namely property (real estate) leases. It has therefore opted to apply the following exemptions and simplification measures for the transitions provided for by the standard:

- Short-term leases excluded (initial term of 12 months or less) and those concerning low-value assets ;
- Exclusion of the initial direct costs from the evaluation of the asset representing the rights of use at the time of the transition;
- Exclusion of movable property leases excluded as they are insignificant.

The term of the lease is the firm period during which the lessee has the right to use the leased property, to which are added the renewal options that the group is reasonably certain to exercise.

In the balance sheet at 1st January 2019, the lease-related financial liabilities are the discounted present value of lease payments still to be made, determined using an incremental borrowing rate at 31 December 2018 defined according to the remaining term of the lease. By way of simplification the incremental borrowing rate, calculated per currency area, is the risk-free rate prevailing in the area plus the group's applicable risk premium for the local currency. The average weighted incremental borrowing rate applied to lease liabilities on 1st January 2019 was 2.35%.

Right-of-use assets were measured on 1st January 2019 at the value of the lease liabilities on that date adjusted by lease payments made in advance or outstanding, which were recognized in the statement of financial position regarding these contracts on 31 December 2018.

The difference in KEUR between the lease liability recognized on the date of first application and the operating lease payment commitments presented in the notes to the financial statements at 31 December 2018 in accordance with IAS 17 is accounted for as follows:

In KEUR	01/2019
Off-balance sheet operating lease commitments at 31 December 2018	53,223
Excluded because it is of low value (beyond the scope of IFRS 16 and term =< 12 months)	-3,620
Effect of discounted value of leases	-5,680
Effect of timing difference of the effective date	4,813
Other effects(1)	6,544
Leases debt at 1st January 2019	55,279

- (1) This amount is a re-estimation of the non-cancellable period of the property contract in the United Kingdom, extended from 10 to 14 years.

The leases activated under IFRS 16 are property (real estate) leases as explained earlier. All these operations are carried out within the current framework of our activities

The impacts of initial application of IFRS 16 on the items of financial position consolidated at 1st January 2019 are as follows:

In KEUR	01/2019
Right of use of leased assets	55 944
Prepaid expenses	665
Amortized cost: Other liabilities on leased assets (note 10)	55 279

Here is the table of variation between the opening and June 30, 2019:

In KEUR	01/2019	Increase	Decrease	Other	06/2019
Right of use of leased assets	55 944				51 803
Gross Value	55 944			-327	55 617
Amortization expense of rights of use		-3 814			-3 814
Amortized cost: Other liabilities on leased assets	55 279	491	-2 212	-308	53 250

At 30 June 2019, the lease expense recognized under IFRS 16 for the first half of 2019 is as follows:

In KEUR	06/2019
Interest expense on lease liabilities	-491
Amortization expense of rights of use	-3 814

IFRS 17 - Insurance Contracts:

New IFRS standards not adopted by the European Union		Effective date according to the IASB
IFRS 17	Insurance Contracts	1st January 2022

IFRS 17 Insurance Contracts was published on 18 May 2017 by the IASB. Subject to its adoption by the European Union, it will become effective in 2021. It replaces the current IFRS 4 Insurance Contracts. At this stage, the group does not intend to apply the accounting standard early.

B. Estimates and judgments

The main areas of judgment and estimates for preparing the summary consolidated financial statements at 30 June 2019 are identical to those itemized in note 3-D to the 2018 annual financial statements.

C. Changes in presentation

In 2019, 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

Management of new business by probability of default based on credit-rating systems has maintained the quality of the portfolio on all the major markets.

As the economic outlook remains uncertain, central control of acceptance policy introduced at the onset of the crisis has been maintained. The acceptance systems are adjusted according to stress tests updated once a quarter on the main countries by market (private individuals, businesses). On balance, the quality of lending is in line with objectives.

In a constantly evolving environment, RCI Banque aims to maintain the overall credit risk at a level consistent with the expectations of the financial community and the 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 30/06/2019.

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 30/06/2019.

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

During the first half of 2019, the European Central Bank announced a number of measures designed to maintain favorable credit conditions in the context of uncertainty surrounding world growth.

The ECB has confirmed that its interest rates will remain unchanged until at least Q1 2020, one year longer than originally stated in 2018. The central bank will keep its asset purchase program at a constant level and continue to reinvest the proceeds from maturing securities. Furthermore, it has announced the launch of new long-term refinancing operations TLTRO III¹ to encourage banks to increase their lending.

The US Federal Reserve has left its key rates unchanged over the period with Fed Funds at 2.25-2.50%. In light of the global economic downturn, the Fed has suspended its cycle of rate increases and adopted a more accommodating approach. Given the uncertainties associated with Brexit, the Bank of England has revised downwards its growth forecast for 2019. The UK base rate has remained at 0.75% throughout the period.

Euro rates have continued to fall since the start of the year. At the end of June 2019, the 5-year swap rate was fixed at -0.23%, down 43 bps, an all-time low to date. The yield on the 10-year German government bond entered negative territory at -0.33%, a record low.

The change in stance of the central banks' monetary policy has affected investors' perception of risk and contributed to rising equity markets² and the tightening of bond spreads³. During the month of May, temporary trade tensions between the US and China led to a rise in market volatility.

¹ Targeted Longer-Term Refinancing Operations: 7 quarterly 2-year operations.

² Euro Stoxx 50 up +15%

³ Iboxx Eur Non Financials down -28bp

5. REFINANCING

RCI Banque issued the equivalent of €2.3 billion in public bond format, making a number of successive issues. The first was a five-and-a-half year fixed rate issue for €750 million and the second a dual tranche issue for €1.4 billion (four-year fixed rate €750 million, seven-year fixed rate €650 million). At the same time, the company issued a five-year fixed rate CHF170 million, a transaction that enabled it to both diversify its investor base and fund assets in that currency.

On the secure refinancing segment, RCI Banque issued a public securitization backed by car loans in Germany for €975.7 million breaking down into €950 million of senior securities and €25.7 million of subordinated securities.

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

In addition, the group's entities in Brazil, South Korea, Morocco, Argentina and in Colombia also issued debt on their domestic markets.

The Savings business, already in place in France, Germany, Austria and the United Kingdom, was extended to Brazil in March. In the United Kingdom, anticipating the country's withdrawal from the European Union, RCI Banque obtained a local banking licence and transferred the deposits collected by its branch to this new entity.

Retail customer deposits have increased by €0.8 billion since December 2018 and at 30 June 2019 totaled €16.7 billion, representing 34% of net assets at the end of June, in line with the company's goal of collecting retail deposits equivalent to approximately one third of the financing granted to its customers.

These resources, to which should be added, based on the European scope, €4.4 billion of undrawn committed credit lines, €2.8 billion of assets eligible as collateral in ECB monetary policy operations, €3.0 billion of high quality liquid assets (HQLA) and €0.3 billion of financial assets, enable RCI Banque to maintain the financing granted to its customers for about 12 months without access to external sources of liquidity.

6. REGULATORY REQUIREMENTS

In accordance with the prudential banking regulations transposing EU Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV) and EU Regulation 575/2013 into French law, the RCI Banque group is subject to compliance with the solvency ratio and liquidity ratios, risk division ratio and balance sheet balancing (leverage ratio).

At 30 June 2019, the ratios calculated do not show any non-compliance with the regulatory requirements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Segment information

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

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

In millions of euros	Customer	Dealer financing	Other	Total 06/2018
Average performing loan outstandings	32 222	10 641		42 863
Net banking income	750	129	105	984
Gross operating income	551	104	33	688
Operating income	465	113	30	608
Pre-tax income	474	113	30	617

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 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 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	06/2019	12/2018
Cash and balances at central banks	2 329	2 018
Cash and balances at Central Banks	2 329	2 018
Term deposits at Central Banks	27	22
Accrued interest	27	22
Total cash and balances at central banks	2 356	2 040

Note 3 : Derivatives

In millions of euros	06/2019		12/2018	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	4	20	21	14
Interest-rate derivatives	1	9	2	4
Currency derivatives	3	11	19	10
Fair value of financial assets and liabilities recognized as derivatives used for hedging	200	92	102	68
Interest-rate and currency derivatives: Fair value hedges	188		89	6
Interest-rate derivatives: Cash flow hedges	12	92	13	62
Total derivatives (*)	204	112	123	82

(*) Of which related parties

2

"Other derivatives" includes the adjustment for credit risk of -€0.157m at 30 June 2019, which breaks down into an income of +€0.239m for the DVA and an expense of -€0.396m for the CVA.

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

Nominal values of derivative instruments by maturity and management intent

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 06/2019	Related parties
Hedging of currency risk					
<u>Forward forex contracts</u>					
Sales	1 141			1 141	
Purchases	1 125			1 125	
<u>Spot forex transactions</u>					
Loans	16			16	
Borrowings	16			16	
<u>Currency swaps</u>					
Loans	152	92		244	19
Borrowings	152	91		243	20
Hedging of interest-rate risk					
<u>Interest rate swaps</u>					
Lender	8 047	10 763	2 308	21 118	
Borrower	8 047	10 763	2 308	21 118	

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

Note 4 : Financial assets

In millions of euros	06/2019	12/2018
Financial assets at fair value through other comprehensive income	1 389	902
Government debt securities and similar	1 093	617
Bonds and other fixed income securities	295	284
Interests in companies controlled but not consolidated	1	1
Financial assets at fair value through profit or loss	171	166
Variable income securities	16	16
Bonds and other fixed income securities	114	98
Interests in companies controlled but not consolidated	41	52
Total financial assets (*)	1 560	1 068
<i>(*) Of which related parties</i>	<i>42</i>	<i>53</i>

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	06/2019	12/2018
Credit balances in sight accounts at credit institutions	1 069	916
Ordinary accounts in debit	1 054	881
Overnight loans	15	35
Term deposits at credit institutions	100	117
Term loans in bucket 1	40	37
Term loans in bucket 2	60	80
Total amounts receivable from credit institutions (*)	1 169	1 033
<i>(*) Of which related parties</i>	<i>60</i>	<i>80</i>

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 €545m at end-June 2019 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	06/2019	12/2018
Loans and advances to customers	48 242	46 587
Customer finance transactions	35 472	34 858
Finance lease transactions	12 770	11 729
Operating lease transactions	1 129	974
Total customer finance transactions and similar	49 371	47 561

At 30 June 2019, direct financing of Renault Group subsidiaries and branches amounted to €1,098m against €791m at 31 December 2018.

At 30 June 2019, the dealer network had, as a business contributor, collected income of €473m against €433m at 30 June 2018.

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 2019, this contribution amounted to €325m against €339m at 30 June 2018.

The gross value of forbore loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulties (or likely to experience financial difficulty in the future) came to €120m and is impaired by €43m at 30 June 2019.

6.1 - Customer finance transactions

In millions of euros	06/2019	12/2018
Loans and advances to customers	35 640	35 047
Healthy factoring	556	541
Factoring with a significant increase in credit risk since initial recognition	35	37
Other healthy commercial receivables	7	2
Other healthy customer credit	31 867	31 269
Other customer credit with a significant increase in credit risk since initial recognition	2 337	2 273
Healthy ordinary accounts in debit	397	484
Defaulted receivables	441	441
Interest receivable on customer loans and advances	89	83
Other non-defaulted customer credit	43	42
Non-defaulted ordinary accounts	43	37
Defaulted receivables	3	4
Total of items included in amortized cost - Customer loans and advances	378	323
Staggered handling charges and sundry expenses - Received from customers	(50)	(52)
Staggered contributions to sales incentives by manufacturer or dealers	(561)	(549)
Staggered fees paid for referral of business	989	924
Impairment on loans and advances to customers	(635)	(595)
Impairment on healthy receivables	(135)	(125)
Impairment on receivables with a significant increase in credit risk since initial recognition	(126)	(113)
Impairment on defaulted receivables	(294)	(281)
Impairment on residual value	(80)	(76)
Total customer finance transactions, net	35 472	34 858

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and 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	06/2019	12/2018
Finance lease transactions	12 955	11 917
Other healthy customer credit	11 379	10 292
Other customer credit with a significant increase in credit risk since initial recognition	1 405	1 455
Defaulted receivables	171	170
Accrued interest on finance lease transactions	11	10
Other non-defaulted customer credit	10	9
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	(2)	(16)
Staggered handling charges	67	(4)
Staggered contributions to sales incentives by manufacturer or dealers	(324)	(234)
Staggered fees paid for referral of business	255	222
Impairment on finance leases	(194)	(182)
Impairment on healthy receivables	(38)	(39)
Impairment on receivables with a significant increase in credit risk since initial recognition	(53)	(50)
Impairment on defaulted receivables	(102)	(92)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	12 770	11 729

6.3 - Operating lease transactions

In millions of euros	06/2019	12/2018
Fixed asset net value on operating lease transactions	1 147	991
Gross value of tangible assets	1 473	1 284
Depreciation of tangible assets	(326)	(293)
Receivables on operating lease transactions	15	12
Non-defaulted receivables	10	7
Defaulted receivables	7	7
Income and charges to be staggered	(2)	(2)
Impairment on operating leases	(33)	(29)
Impairment on non-defaulted receivables	(1)	(1)
Impairment on defaulted receivables	(4)	(5)
Impairment on residual value	(28)	(23)
Total operating lease transactions, net (*)	1 129	974
<i>(*) Of which related parties</i>	<i>(1)</i>	<i>(1)</i>

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 06/2019
Gross value	38 682	10 951	600	50 233
Healthy receivables	34 760	10 468	598	45 826
Receivables with a significant increase in credit risk since initial recognition	3 376	408		3 784
Defaulted receivables	546	75	2	623
<i>% of defaulted receivables</i>	<i>1,41%</i>	<i>0,68%</i>	<i>0,33%</i>	<i>1,24%</i>
Impairment allowance	(732)	(117)	(13)	(862)
Impairment on healthy receivables	(201)	(70)	(12)	(283)
Impairment on receivables with a significant increase in credit risk since initial recognition	(167)	(12)		(179)
Impairment on defaulted receivables	(364)	(35)	(1)	(400)
Net value (*)	37 950	10 834	587	49 371

(*) Of which: related parties (excluding participation in incentives and fees paid for referrals) 24 1 098 415 1 537

In millions of euros	Customer	Dealer financing	Other	Total 12/2018
Gross value	36 736	10 998	633	48 367
Healthy receivables	32 873	10 470	631	43 974
Receivables with a significant increase in credit risk since initial recognition	3 325	445		3 770
Defaulted receivables	538	83	2	623
<i>% of defaulted receivables</i>	<i>1,46%</i>	<i>0,75%</i>	<i>0,32%</i>	<i>1,29%</i>
Impairment allowance	(693)	(111)	(2)	(806)
Impairment on healthy receivables	(194)	(70)	(1)	(265)
Impairment on receivables with a significant increase in credit risk since initial recognition	(153)	(10)		(163)
Impairment on defaulted receivables	(346)	(31)	(1)	(378)
Net value (*)	36 043	10 887	631	47 561

(*) Of which: related parties (excluding participation in incentives and fees paid for referrals) 19 791 436 1 246

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

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	06/2019	12/2018
Tax receivables	456	379
Current tax assets	17	26
Deferred tax assets	165	145
Tax receivables other than on current income tax	274	208
Adjustment accounts and other assets	1 175	953
Social Security and employee-related receivables	1	
Other sundry debtors	391	377
Adjustment accounts - Assets	79	55
Other assets	1	
Items received on collections	508	319
Reinsurer part in technical provisions	195	202
Total adjustment accounts – Assets and other assets (*)	1 631	1 332
<i>(*) Of which related parties</i>	<i>188</i>	<i>225</i>

Note 9 : Liabilities to credit institutions and customers & debt securities**9.1 - Central Banks**

In millions of euros	06/2019	12/2018
Term borrowings	2 500	2 500
Total Central Banks	2 500	2 500

At 30 June 2019, the book value of the collateral presented to the Bank of France (3G) amounted to €6,173m, i.e. €5,248m in securities issued by securitization vehicles, €767m in private accounts receivable and €150m in eligible bond securities.

9.2 - Amounts payable to credit institutions

In millions of euros	06/2019	12/2018
Sight accounts payable to credit institutions	236	142
Ordinary accounts	27	21
Overnight borrowings	46	
Other amounts owed	163	121
Term accounts payable to credit institutions	2 409	2 289
Term borrowings	2 336	2 217
Accrued interest	73	72
Total liabilities to credit institutions	2 645	2 431

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	06/2019	12/2018
Amounts payable to customers	17 575	16 686
Ordinary accounts in credit	189	134
Term accounts in credit	700	710
Ordinary saving accounts	12 570	12 103
Term deposits (retail)	4 116	3 739
Other amounts payable to customers and accrued interest	103	95
Other amounts payable to customers	64	67
Accrued interest on ordinary accounts in credit	7	7
Accrued interest on ordinary saving accounts	15	17
Accrued interest on customers term accounts	17	4
Total amounts payable to customers (*)	17 678	16 781

(*) *Of which related parties*

766

748

Term accounts in credit include a €700m 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	06/2019	12/2018
Negotiable debt securities (1)	1 368	1 826
Certificates of deposit	1 331	1 659
Commercial paper and similar	18	84
French MTNs and similar		65
Accrued interest on negotiable debt securities	19	18
Other debt securities (2)	3 518	2 780
Other debt securities	3 516	2 778
Accrued interest on other debt securities	2	2
Bonds and similar	20 108	18 903
Bonds	20 003	18 804
Accrued interest on bonds	105	99
Total debt securities (*)	24 994	23 509

(*) Of which related parties

128

95

(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	06/2019	12/2018
Taxes payable	673	620
Current tax liabilities	164	124
Deferred tax liabilities	492	472
Taxes payable other than on current income tax	17	24
Adjustment accounts and other amounts payable	1 711	1 543
Social security and employee-related liabilities	50	53
Other sundry creditors	858	679
Adjustment accounts - liabilities	482	461
Accrued interest on other sundry creditors	306	342
Collection accounts	15	8
Total adjustment accounts - Liabilities and other liabilities (*)	2 384	2 163

(*) Of which related parties

111

78

The other sundry creditors recognized 53 million euros of IFRS 16 lease liabilities at end June 2019 (see part on accounting standards and methods).

Note 11 : Provisions

In millions of euros	12/2018	Charge	Reversals		Other (*)	06/2019
			Used	Not Used		
Provisions on banking operations	496	158	(16)	(123)	(1)	514
Provisions for signature commitments	5			(1)		4
Provisions for litigation risks	10	2		(2)		10
Insurance technical provisions	460	153	(16)	(116)		481
Other provisions	21	3		(4)	(1)	19
Provisions on non-banking operations	112	5	(3)	(1)	10	123
Provisions for pensions liabilities and related	49	3	(2)		8	58
Provisions for restructuring	11					11
Provisions for tax and litigation risks	48	2	(1)	(1)	1	49
Other	4				1	5
Total provisions	608	163	(19)	(124)	9	637

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

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 €481m at end-June 2019.

On 9 January 2019, the Italian Competition & Markets Authority (“Autorità Garante della Concorrenza e del Mercato”) imposed a fine of €125 million on RCI Banque, Renault SA being jointly and severally bound to pay this fine. The Group disputes the grounds for this fine and will appeal against this decision. We consider it highly likely that this decision will be cancelled or reversed on the merits before the courts. Furthermore, due to the large number of variables involved in quantifying the possible sanction, one cannot reliably estimate the amount that may be payable after the proceedings. Therefore no provision has been recognized as of 31 December 2018. Our request for suspension of the payment was accepted on 3 April, subject to arranging a bank guarantee, which has been granted. The next court hearing is scheduled for 26 February 2020.

Note 12 : Impairments allowances to cover counterparty risk

In millions of euros	12/2018	Charge	Reversals		Other (*)	06/2019
			Used	Not Used		
Impairments on banking operations	806	189	(105)	(35)	7	862
Customer finance transactions	806	189	(105)	(35)	7	862
Impairment on non-banking operations	8	1	(1)	(1)	1	8
Provisions for signature commitments	5			(1)		4
Other impairment to cover counterparty risk	3	1	(1)		1	4
Impairment on banking operations	10	2		(2)		10
Provisions for litigation risks	10	2		(2)		10
Total provisions to cover counterparty risk	824	192	(106)	(38)	8	880

(*) 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	06/2019	12/2018
Participating loan stocks	13	13
Total subordinated liabilities	13	13

The remuneration on the participating loan stock issued in 1985 by Diac SA includes a fixed component equal to the money market rate and a variable component obtained by applying the rate of increase in the Diac sub-group's consolidated net income for the year compared to that of the previous year, to 40% of the money market rate.

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

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 06/2019
Financial assets	13 529	16 203	22 995	804	53 531
Cash and balances at central banks	2 329	12	15		2 356
Derivatives	2	9	100	93	204
Financial assets	455	455	478	172	1 560
Amounts receivable from credit institutions	1 109	60			1 169
Loans and advances to customers	9 634	15 667	22 402	539	48 242
Financial liabilities	15 874	6 774	19 719	5 575	47 942
Central Banks		1 000	1 500		2 500
Derivatives	19	25	68		112
Amounts payable to credit institutions	716	710	1 219		2 645
Amounts payable to customers	13 492	1 775	1 711	700	17 678
Debt securities	1 647	3 264	15 221	4 862	24 994
Subordinated debt				13	13

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

Central Bank borrowings correspond to the 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 - 30/06/2019	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	53 531	1 518	3 729	48 208	53 455	(76)
Cash and balances at central banks	2 356		2 356		2 356	
Derivatives	204		204		204	
Financial assets	1 560	1 518		42	1 560	
Amounts receivable from credit institutions	1 169		1 169		1 169	
Loans and advances to customers	48 242			48 166	48 166	(76)
Financial liabilities	47 942	13	48 220		48 233	(291)
Central Banks	2 500		2 433		2 433	67
Derivatives	112		112		112	
Amounts payable to credit institutions	2 645		2 739		2 739	(94)
Amounts payable to customers	17 678		17 678		17 678	
Debt securities	24 994		25 258		25 258	(264)
Subordinated debt	13	13			13	

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

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

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

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

Assumptions and methods used:

The three-level hierarchy for financial instruments recognized on the balance sheet at fair value, as required by IFRS 7 is as follows:

- Level 1: measurements based on quoted prices on active markets for identical financial instruments.
- Level 2: measurements based on quoted prices on active markets for similar financial instruments or measurements for which all significant data are based on observable market data.
- Level 3: measurement techniques for which significant data are not based on observable market data.

Estimated fair values have been determined using available market information and appropriate valuation methods for each type of instrument.

However, the methods and assumptions used are by nature theoretical, and a substantial amount of judgment comes into play in interpreting market data. Using different assumptions and/or different valuation methods could have a significant effect on the estimated values.

Fair values have been determined on the basis of information available at the closing date of each period, and thus do not reflect later changes.

As a general rule, whenever a financial instrument is traded on an active, liquid market, its most recent quoted price is used to calculate market value. For instruments without a quoted price, market value is determined by applying recognized valuation models that use observable market parameters. If RCI Banque does not have the necessary valuation tools, including for complex products, valuations are obtained from leading financial institutions.

The main assumptions and valuation methods used are the following:

- Financial assets

Fixed-rate loans have been estimated by discounting future cash flows at the interest rates offered by RCI Banque at 31 December 2018 and at 30 June 2019 for loans with similar conditions and maturities.

Level 3 securities are non-consolidated holdings for which there is no quoted price.

- Loans and advances to customers

Sales financing receivables have been estimated by discounting future cash flows at the interest rate that would have applied to similar loans (conditions, maturity and borrower quality) at 31 December 2018 and at 30 June 2019.

Customer receivables with a term of less than one year are not discounted, as their fair value is not significantly different from their net book value.

- Financial liabilities

Fair value of financial liabilities has been estimated by discounting future cash flows at the interest rates offered to RCI Banque at 31 December 2018 and 30 June 2019 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

Note 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 - 30/06/2019	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	1 639		1 639	53	878		708
Derivatives	204		204	53			151
Network financing receivables (1)	1 435		1 435		878		557
Liabilities	112		112	53			59
Derivatives	112		112	53			59

(1) The gross book value of dealer financing receivables breaks down into €969m for the Renault RetailGroup, whose exposures are hedged for up to €694m by a cash warrant agreement given by the Renault manufacturer (see note 9.3) and €466m for dealers financed by Banco RCI BrasilS.A, whose exposures are hedged for up to €185m bypledge of *letras de cambio* subscribed to by the dealers.

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

(1) The gross book value of dealer financing receivables breaks down into €659m for the Renault RetailGroup, whose exposures are hedged for up to €654m by a cash warrant agreement given by the Renault manufacturer (see note 9.3) and €425m for dealers financed by Banco RCI BrasilS.A, whose exposures are hedged for up to €174m bypledge of *letras de cambio* subscribed to by the dealers.

Note 17 : Commitments given

In millions of euros	06/2019	12/2018
Financing commitments	2 776	2 362
Commitments to customers	2 776	2 362
Guarantee commitments	83	75
Commitments to credit institutions	79	71
Customer guarantees	4	4
Commitments on securities	153	5
Other securities receivable	153	5
Other commitments given	26	73
Commitments given for equipment leases and real estate leases	26	73
Total commitments given (*)	3 038	2 515
<i>(*) Of which related parties</i>	<i>13</i>	<i>4</i>

Note 18 : Commitments received

In millions of euros	06/2019	12/2018
Financing commitments	4 789	4 820
Commitments from credit institutions	4 789	4 820
Guarantee commitments	15 664	14 138
Guarantees received from credit institutions	380	257
Guarantees from customers	6 485	6 151
Commitments to take back leased vehicles at the end of the contract	8 799	7 730
Other commitments received	11	20
Other commitments received	11	20
Total commitments received (*)	20 464	18 978
<i>(*) Of which related parties</i>	<i>5 229</i>	<i>4 698</i>

At 30 June 2019, RCI Banque had €4,464m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also had €2,934m 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	06/2019	06/2018	12/2018
Interests and similar incomes	1 475	1 371	2 751
Transactions with credit institutions	17	32	51
Customer finance transactions	1 088	1 022	2 037
Finance lease transactions	326	286	591
Accrued interest due and payable on hedging instruments	35	26	61
Accrued interest due and payable on Financial assets	9	5	11
Staggered fees paid for referral of business:	(375)	(316)	(656)
Customer Loans	(302)	(259)	(534)
Finance leases	(73)	(57)	(122)
Total interests and similar income (*)	1 100	1 055	2 095
<i>(*) Of which related parties</i>	<i>368</i>	<i>352</i>	<i>705</i>

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	06/2019	06/2018	12/2018
Transactions with credit institutions	(104)	(95)	(191)
Customer finance transactions	(64)	(66)	(129)
Finance lease transactions	(1)		(1)
Accrued interest due and payable on hedging instruments	(26)	(24)	(47)
Expenses on debt securities	(176)	(160)	(316)
Other interest and similar expenses	(9)	(10)	(18)
Total interest and similar expenses (*)	(380)	(355)	(702)
<i>(*) Of which related parties</i>	<i>(2)</i>	<i>(3)</i>	<i>(6)</i>

Note 21 : Fees and commissions

In millions of euros	06/2019	06/2018	12/2018
Fees and commissions income	301	273	545
Commissions	9	7	15
Fees	11	11	22
Commissions from service activities	41	35	72
Insurance brokerage commission	33	33	64
Incidental insurance commissions from finance contracts	113	95	195
Incidental maintenance commissions from finance contracts	63	61	119
Other incidental commissions from finance contracts	31	31	58
Fees and commissions expenses	(113)	(103)	(213)
Commissions	(11)	(10)	(20)
Commissions on service activities	(29)	(25)	(55)
Incidental insurance commissions from finance contracts	(13)	(12)	(24)
Incidental maintenance commissions from finance contracts	(42)	(35)	(72)
Other incidental commissions from finance contracts	(18)	(21)	(42)
Total net commissions (*)	188	170	332
<i>(*) Of which related parties</i>	<i>6</i>	<i>6</i>	<i>13</i>

To ensure greater clarity of the financial statements, the presentation of commissions from finance contracts, service and insurance brokerage activities and other operating income and expenses has been reclassified. 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	06/2019	06/2018	12/2018
Other income from banking operations	476	469	950
Income from insurance activities	238	223	451
Income related to non-doubtful lease contracts	123	131	271
of which reversal of impairment on residual values	4	12	27
Income from operating lease transactions	103	95	193
Other income from banking operations	12	20	35
of which reversal of charge to reserve for banking risks	4	2	10
Other expenses of banking operations	(355)	(355)	(725)
Cost of insurance activities	(98)	(97)	(187)
Expenses related to non-doubtful lease contracts	(130)	(139)	(280)
of which allowance for impairment on residual values	(13)	(12)	(25)
Distribution costs not treatable as interest expense	(47)	(47)	(92)
Expenses related to operating lease transactions	(71)	(64)	(133)
Other expenses of banking operations	(9)	(8)	(33)
of which charge to reserve for banking risks	(4)	(1)	(16)
Other operating income and expenses	(1)		11
Other operating income	7	8	27
Other operating expenses	(8)	(8)	(16)
Total net income (expense) of other activities (*)	120	114	236
<i>(*) Of which related parties</i>	<i>(4)</i>	<i>(4)</i>	<i>(9)</i>

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 personnel costs

In millions of euros	06/2019	06/2018	12/2018
Personnel costs	(149)	(139)	(295)
Employee pay	(99)	(95)	(190)
Expenses of post-retirement benefits	(10)	(9)	(16)
Other employee-related expenses	(34)	(32)	(66)
Other personnel expenses	(6)	(3)	(23)
Other administrative expenses	(159)	(153)	(270)
Taxes other than current income tax	(38)	(39)	(43)
Rental charges	(4)	(5)	(11)
Other administrative expenses	(117)	(109)	(216)
Total general operating expenses (*)	(308)	(292)	(565)
<i>(*) Of which related parties</i>	<i>(1)</i>	<i>2</i>	<i>(2)</i>

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	06/2019	06/2018	12/2018
Cost of risk on customer financing	(77)	(82)	(172)
Impairment allowances	(143)	(239)	(398)
Reversal of impairment	112	204	308
Losses on receivables written off	(64)	(63)	(114)
Amounts recovered on loans written off	18	16	32
Cost of risk on dealer financing	(6)	9	34
Impairment allowances	(33)	(59)	(83)
Reversal of impairment	26	68	117
Losses on receivables written off		(1)	(1)
Amounts recovered on loans written off	1	1	1
Other cost of risk	(10)	(7)	(7)
Change in allowance for impairment of other receivables	(10)	(3)	(5)
Other valuation adjustments		(4)	(2)
Total cost of risk (*)	(93)	(80)	(145)
<i>(*) Of which related parties</i>	<i>(10)</i>		<i>(1)</i>

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

Note 25 : Income tax

In millions of euros	06/2019	06/2018	12/2018
Current tax expense	(170)	(152)	(283)
Current tax expense	(170)	(152)	(283)
Deferred taxes	(10)	(19)	(50)
Income (expense) of deferred taxes, gross	(10)	(19)	(51)
Change in allowance for impairment of deferred tax assets			1
Total income tax	(180)	(171)	(333)

The RCI Banque group's effective tax rate was 29.60% at 30 June 2019, compared with 27.66% at 30 June 2018 and 27.27% at 31 December 2018

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 -€2m

Current tax expense is equal to the amount of income tax due and payable to tax authorities for the year, under the rules and tax rates applicable in each country.

Certain differences between companies' income for tax purposes and their income for consolidated financial reporting purposes give rise to the recognition of deferred taxes. These differences result mainly from rules for accounting for lease-purchase and long-term rental transactions and for recognizing impairment on doubtful receivables.

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 2019, this impact generated a deferred income tax loss of -€15 million.

Note 26 : Events after the end of the reporting period

No events occurred between the reporting period end date and 23 July 2019, when the Board of Directors approved the financial statements that might have a significant impact on the financial statements ended 30 June 2019.