



# **RCI BANQUE SA**

## **HALF-YEAR FINANCIAL REPORT**

**30 June 2019**

# SUMMARY

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**STATEMENT BY THE  
PERSON  
RESPONSIBLE FOR  
THE HALF-YEAR  
FINANCIAL REPORT**

**30 June 2019**

## Statement by the person responsible for the Half-Year Financial Report

*Translation of the French original*

I hereby declare that, to the best of my knowledge, the half-year consolidated accounts are prepared in accordance with the applicable accounting standards and give a true and fair picture of the assets and liabilities, the financial position and the results of the Group and all the entities included in the consolidation perimeter.

I declare that the half-year business report attached presents an accurate picture of the main events arisen during the first six months of the year, their incidence on the accounts, as well as a description of the key risks and uncertainties for the remaining six months of the year.

July 23<sup>th</sup> 2019

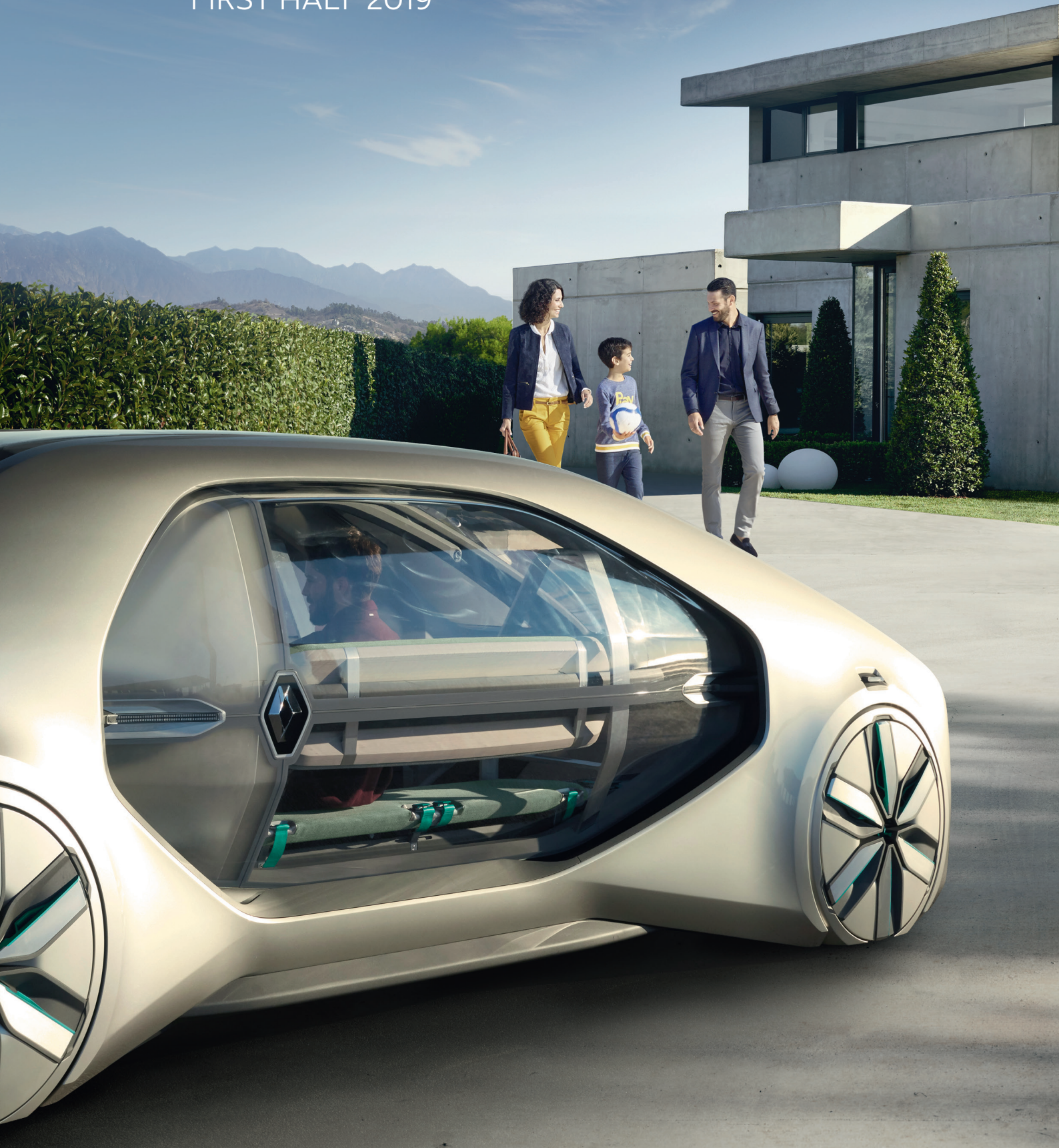
*French original signed by*  
Chairman of the board of Directors  
**Clotilde DELBOS**



BANK  
AND  
SERVICES

# BUSINESS REPORT

FIRST HALF 2019





# RCI BANK AND SERVICES<sup>(1)</sup> OVERVIEW

RCI Bank and Services provides a range of financial solutions to facilitate access to automobility for Alliance customers<sup>(2)</sup>. Taking into account each brand's specific characteristics and anticipating the new needs and automotive uses of their customers, RCI Bank and Services supports their marketing policies and works with them to win new customers and build loyalty.

RCI Bank and Services brings together three worlds: the automotive world through its history, banking through its business and services through its offerings. Every day, in 36 countries across the world, RCI Bank and Services supports the growth of the Alliance brands and their distribution networks, by offering their customers a comprehensive range of financing products, insurances and services.

## Our vision:

**"We are the financial partner of all the Alliance's brands. Customers and distribution networks choose us for our responsiveness and tailored solutions. Passion and innovation motivate our teams to enhance customers' mobility experiences."**

## Tailored solutions for each type of customer base

We offer our **Retail customers**, a range of financing solutions and services relevant to their projects and uses to facilitate, support and enhance the whole of their automobility experience. Our solutions and services apply to both new and used vehicles.

We provide our **Business customers** with a wide range of mobility solutions to relieve the pressure of vehicle fleet management and allow them to focus on their core business.

We deliver active support to Alliance brand **Dealers** financing inventories (of new vehicles, used vehicles and spare parts) and short-term cash requirements.

## The Savings Bank business, one of the pillars of the company's refinancing

The Savings business was launched in 2012 and now operates in five markets, namely France, Germany, Austria, the United Kingdom and Brazil since March 2019. Savings deposits are a key instrument in the diversification of the group's sources of refinancing for its operations. Deposits collected came to €16.7 billion or approximately 34% of net assets at end-June 2019<sup>(3)</sup>.

## Some 3,600 employees over four Regions

Our employees operate in 36 countries, divided into four major world Regions: Europe; Americas; Africa – Middle-East – India and Pacific<sup>(4)</sup>; Eurasia.

<sup>(1)</sup> RCI Bank and Services has been the company's trading name since February 2016. Its corporate name, however, remains unchanged and is still RCI Banque S.A.

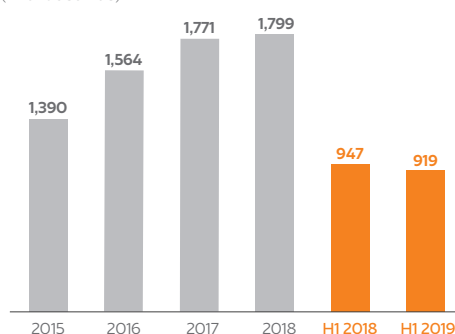
<sup>(2)</sup> RCI Bank and Services supports the Groupe Renault's brands (Renault, Dacia, Alpine, Renault Samsung Motors and Lada), the Nissan Group's (Nissan, Infiniti and Datsun) mainly in Europe, in Brazil, in Argentina, in South Korea and in the form of joint ventures in Russia and in India, as well as Mitsubishi Motors in the Netherlands.

<sup>(3)</sup> Net assets at end-: net total outstandings at end + operating lease transactions net of depreciation and impairment.

<sup>(4)</sup> Organizational change in the Groupe Renault Regions from May 1<sup>st</sup> 2019: the creation of the new "Africa – Middle-East – India and Pacific" Region (AMIP), is reflected in RCI Bank and Services' reporting scope by the grouping of the former Regions.

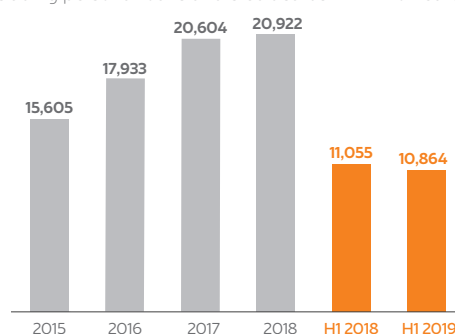
## Total number of vehicle contracts

(in thousands)



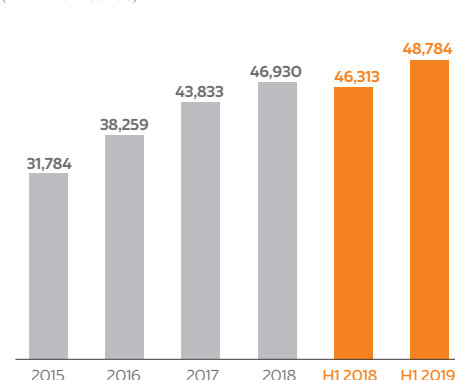
## New financings

(excluding personal loans and credit cards / in million euros)



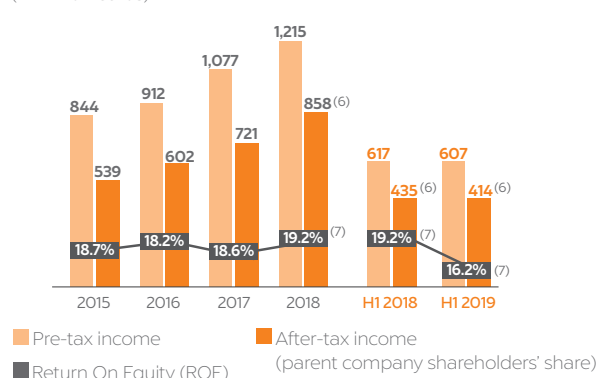
## Net assets at end<sup>(5)</sup>

(in million euros)



## Results

(in million euros)



<sup>(5)</sup> Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

<sup>(6)</sup> After-tax result is impacted by deferred tax elements resulting from announced changes in corporate income tax under France's Finance Law: +€42m in first half 2018, +€47m at-end 2018 and -€15.4m in first half 2019.

<sup>(7)</sup> Excluding deferred tax impact, ROE came to 17.4% in first half 2018, 18.1% at-end 2018 and 16.8% in first half 2019.

# BUSINESS ACTIVITY

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

With 918,504 contracts financed at the end of June 2019, RCI Bank and Services generated €10.9 billion of new financings, against €11.1 billion last year, thereby showing good commercial performance despite a global car market in decline.

The group's Financing penetration rate thus came to 41.3%, a year-on-year increase of 1.6 points. Excluding Turkey, Russia and India (companies consolidated using the equity method), it came to 43.0%, against 41.8% for the first half-year of 2018.

The used vehicle financing business remains, for its part, stable compared with the end of June 2018, with 185,352 contracts financed.

Average performing assets (APA)<sup>(1)</sup> came to €46.7 billion, showing 6.9% growth since June 2018. Of this amount, €36.4 billion are directly attributable to the Retail Customer business, which posted a 10.1% rise.

A pillar of the group's strategy, the Services business saw an increase in activity, posting a 5.0% leap in volumes over the last twelve months. The number of Services sold for the first six months of 2019 amounted to 2.5 million insurance policies and services contracts, of which 68% represented customer- and vehicle-use services.

The Europe Region shows again good commercial performance with a higher Financing penetration rate of 44.2%, against 43.2% last year.

Despite an unpredictable economic environment in Argentina, the Americas Region posted a Financing penetration rate of 36.7%, showing a 1.0 point increase compared with June 2018, driven by the good performance of Brazil and Colombia, which respectively show a high financing penetration rate of 39.8% and 48.8%.

Boosted by the sales drive shown by subsidiaries in the AMIP (Africa – Middle-East – India and Pacific) Region, the Financing penetration rate escalated further to 41.2%, showing a 6.7-points increase compared with the first six months of 2018.

In Korea, more than one in two new vehicles sold by Renault Samsung Motors was financed by RCI Bank and Services, which thus achieved an excellent sales performance, posting a Financing penetration rate of 58.4%, up 3.3 points. In Morocco, the subsidiary's Financing penetration rate is also up 3.6 points compared with last year, at 36.2%.

The Eurasia Region posted a Financing penetration rate of 27.4%, fuelled in particular by the good performance turned in by Romania whose Financing penetration rate highly improved by 9.5 points to 31.6%. In Russia, the Financing penetration rate also shows a substantial increase of 3.5 points compared with June 2018, up to 29.8%.

<sup>(1)</sup> Average performing assets: APA are equal to average performing assets plus assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at year-end. For Dealers, it means the average of daily performing assets.

PC + LUV <sup>(2)</sup> market		Financing penetration rate (%)	New vehicle contracts processed (thousands)	New financings excluding cards and PL (€m)	Net assets at year-end <sup>(3)</sup> (€m)	of which Customer net assets at year-end <sup>(3)</sup> (€m)	of which Dealer net assets at year-end <sup>(3)</sup> (€m)
Europe	H1 2019	44.2%	711	9,289	43,488	33,415	10,073
	H1 2018	43.2%	725	9,428	41,764	31,119	10,645
of which Germany	H1 2019	43.6%	95	1,449	7,969	6,495	1,474
	H1 2018	42.2%	95	1,452	7,220	5,775	1,445
of which Spain	H1 2019	50.7%	84	997	4,784	3,880	904
	H1 2018	53.2%	86	1,042	4,555	3,618	937
of which France	H1 2019	47.7%	259	3,249	14,974	11,137	3,837
	H1 2018	44.2%	248	3,082	14,348	10,318	4,030
of which Italy	H1 2019	63.4%	113	1,602	5,951	4,875	1,076
	H1 2018	62.0%	113	1,583	5,651	4,376	1,275
of which United Kingdom	H1 2019	29.0%	55	843	4,539	3,676	863
	H1 2018	34.1%	71	1,054	4,944	3,971	973
of which other countries	H1 2019	31.8%	105	1,148	5,271	3,352	1,919
	H1 2018	31.5%	111	1,215	5,046	3,061	1,985
Americas	H1 2019	36.7%	98	784	2,999	2,388	611
	H1 2018	35.7%	101	784	2,376	1,921	455
of which Argentina	H1 2019	19.7%	11	51	225	149	76
	H1 2018	27.8%	27	158	371	267	104
of which Brazil	H1 2019	39.8%	75	626	2,343	1,889	454
	H1 2018	38.9%	64	530	1,701	1,400	301
of which Colombia	H1 2019	48.8%	13	107	431	350	81
	H1 2018	45.2%	11	96	304	254	50
Africa - Middle-East - India and Pacific	H1 2019	41.2%	55	538	2,005	1,873	132
	H1 2018	34.4%	56	575	1,965	1,860	105
Eurasia	H1 2019	27.4%	55	252	292	274	18
	H1 2018	26.8%	65	268	208	197	11
Total group	H1 2019	41.3%	919	10,864	48,784	37,950	10,834
	H1 2018	39.7%	947	11,055	46,313	35,097	11,216

<sup>(2)</sup> Figures refer to passenger car (PC) and light utility vehicle (LUV) markets.

<sup>(3)</sup> Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using the equity method.

# CONSOLIDATED FINANCIAL HIGHLIGHTS

**In the first half of 2019, pre-tax income of RCI Bank and Services totals €607 million. Growth in outstandings and dynamic commercial performance mitigate the effects of a slack global car market.**

## Earnings

Net banking income (NBI) increased 2.4% compared with the first half-year of 2018, to €1,008 million. This increase is attributable to the combined growth of the Financing (+6.9% growth in average performing assets, APA) and Services activities (+10.6% compared with the previous year).

Operating expenses came to €314 million, or 1.36% of APA, a 1-basis point increase compared with last year. With an operating ratio of 31.2%, RCI Bank and Services evidences its ability to regulate its costs while supporting its strategic plans and business growth.

The total cost of risk remains under control at 0.40% of APA against 0.37% in the first half 2018, confirming a robust underwriting and collection policy.

The Customer cost of risk business (financing for private and business customers) improved significantly, dropping to 0.43% of APA, down from 0.50% in the first half 2018. For the Dealer business (financing for dealerships), the cost of risk amounted to 0.13% of APA in the first half 2019, against an income of 0.17% (reversal of a provision) at end-June 2018.

Pre-tax income came to €607 million, against €617 million the previous year, affected by an adverse foreign exchange impact of €16.3 million, to the fall in the value of the Argentine Peso and the Brazilian Real, and by €21 million of provisions for impairment of investments made in mobility services.

Consolidated net income - parent company shareholders' share - came to €414 million at end-June 2019, against €435 million for 2018. It is affected by an increase in the group's effective tax rate to 29.6% at 30 June 2019 from 27.7% at 30 June 2018, following the deferral of the announced reductions in corporation tax in France.

## Balance sheet

Good commercial performances in recent years, especially in Europe, drove historic growth in net assets at end<sup>(1)</sup>-June 2019 to €48.8 billion against €46.3 billion at end-June 2018 (+5.3%).

Consolidated equity amounted to €5.6 billion against €5.0 billion at end-June 2018 (+11.9%).

Deposits from retail customers in France, Germany, Austria, the United Kingdom and in Brazil<sup>(2)</sup> (sight and term deposits) totaled €16.7 billion at end-June 2019 against €16.0 billion at end-June 2018 and represented approximately 34% of net assets at end-June 2019.

## Profitability

ROE<sup>(3)</sup> came to 16.2% against 19.2% at end-June 2018. It is impacted by a 14.0% increase in the average net equity and a €15.4 million deferred tax impacts. Excluding deferred tax impacts, ROE at end-June 2019 came to 16.8% against 17.4% at end-June 2018.

## Solvency

The Core Equity Tier One<sup>(4)</sup> was 14.6% at end-June 2019, against 14.4% (fully loaded) at end-June 2018.

Consolidated income statement (in million euros)	06/2019	06/2018	12/2018	12/2017
Net banking income	1,008	984	1,930	1,628
General operating expenses*	(317)	(296)	(575)	(522)
Cost of risk	(93)	(80)	(145)	(44)
Share in net income (loss) of associates and joint ventures	10	9	15	15
Income (loss) on exposure to inflation**	(1)		(10)	
Consolidated pre-tax income	607	617	1,215	1,077
<b>Consolidated net income (parent company shareholders' share)</b>	<b>414</b>	435	858	721

\* Including a provision for a career development scheme and depreciation and impairment losses on tangible and intangible assets and gains less losses on non-current assets.

\*\* Restatement of the earnings of the Argentinean entities, now in hyperinflation accounting.

Consolidated balance sheet (in million euros)	06/2019	06/2018	12/2018	12/2017
Total net outstandings				
of which	47,655	45,381	45,956	42,994
• Retail customer loans	24,051	22,671	23,340	21,609
• Finance lease rentals	12,770	11,494	11,729	10,437
• Dealer loans	10,834	11,216	10,887	10,948
Operating lease transactions net of depreciation and impairment	1,129	932	974	839
Other assets	7,815	6,629	6,464	5,876
Shareholders' equity of which	5,649	5,051	5,320	4,732
• Equity (total)	5,636	5,038	5,307	4,719
• Subordinated debts	13	13	13	13
Bonds	20,108	19,214	18,903	17,885
Negotiable debt securities (CD, CP, BT, BMTN)	1,368	1,295	1,826	1,182
Securitization	3,518	2,787	2,780	2,272
Customer savings accounts - Ordinary accounts	12,585	12,345	12,120	11,470
Customer term deposit accounts	4,133	3,689	3,743	3,464
Banks, central banks and other lenders (including Schuldschein)	6,105	5,849	5,849	5,854
Other liabilities	3,133	2,712	2,853	2,850
<b>BALANCE SHEET TOTAL</b>	<b>56,599</b>	52,942	53,394	49,709

<sup>(1)</sup> Net assets at end-: net total outstandings at end + operating lease transactions net of depreciation and impairment.

<sup>(2)</sup> The Savings business in Brazil was launched in March 2019.

<sup>(3)</sup> ROE (Return on equity), is calculated by dividing net income for the period by average net equity (excluding Income for the period).

<sup>(4)</sup> Ratio including interim profits net of provisional dividends for the first half-year 2019, subject to regulator's approval in accordance with Article 26 §2 of Regulation (UE) 575/2013.



# FINANCIAL POLICY

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 III<sup>(1)</sup> to encourage banks to increase their lending.

The US Federal Reserve 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 markets<sup>(2)</sup> and the tightening of bond spreads<sup>(3)</sup>. During the month of May, temporary trade tensions between the US and China led to a rise in market volatility.

<sup>(1)</sup> Targeted Longer-Term Refinancing Operations: 7 quarterly 2-year operations.  
<sup>(2)</sup> Euro Stoxx 50 up +15%  
<sup>(3)</sup> Iboxx Eur No- Financial down -28bps.

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.

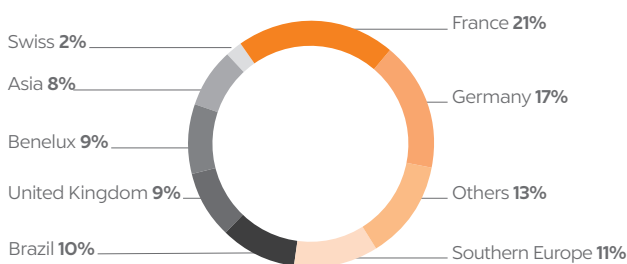
In addition, the group's entities in Brazil, South Korea, Morocco, Argentina and in Colombia also issued debt on their domestic markets.

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 collect 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.

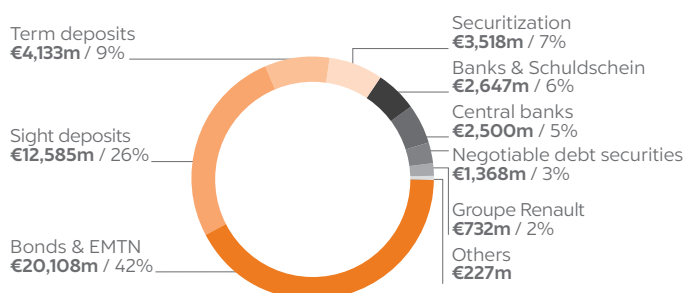
## Geographical breakdown of new resources with a maturity of one year or more

(excluding deposits and TLTRO)  
as at 30/06/2019



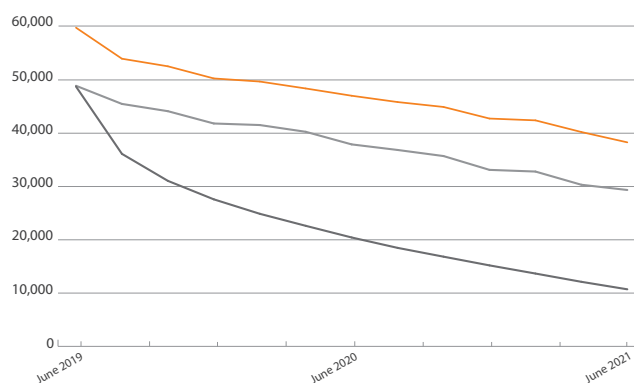
## Structure of total debt

as at 30/06/2019



## Static liquidity position<sup>(4)</sup>

(in million euros)



— Static liabilities + liquidity reserve  
 — Static liabilities  
 — Static assets

<sup>(4)</sup> Scope: Europe.

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

# FINANCIAL POLICY

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.

In a complex and volatile environment, the conservative financial policy implemented by the group for a number of years proved especially justified. This policy protects the commercial margin of each entity while securing the refinancing required for its business activities. It is defined and implemented at a consolidated level by RCI Banque and applies to all sales financing entities within the group.

The strength of the group's balance sheet is also evidenced by very low market risks (interest rate, currency and counterparty risks), which are monitored daily on a consolidated basis.

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

At 30 June 2019, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

+€8.6 million in EUR,  
-€0.7 million in GBP,  
+€0.6 million in KRW,  
+€0.4 million in MAD,  
+€0.4 million in CHF,  
-€0.4 million in BRL,  
-€0.2 million in CZK,  
+€0.2 million in DKK.

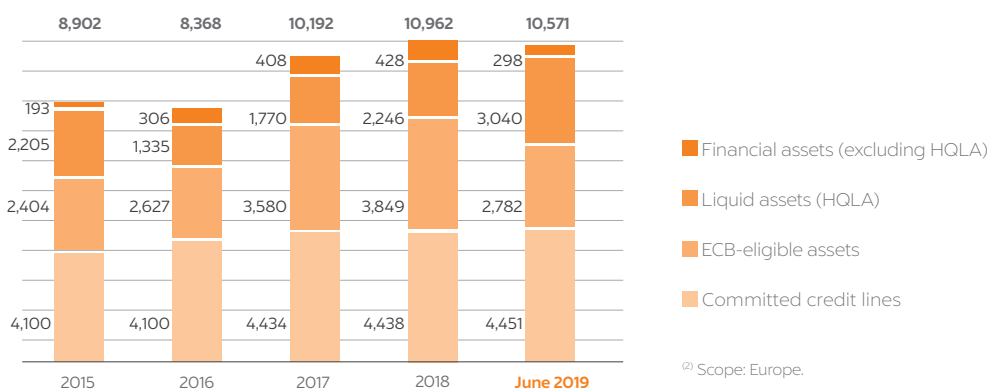
The absolute sensitivity values in each currency totaled €12.1 million.

The RCI Banque group's consolidated transactional<sup>(1)</sup> foreign exchange position totaled €13.9 million.

<sup>(1)</sup> Foreign exchange position excluding investments to the capital of subsidiaries.

## Liquidity reserve<sup>(2)</sup>

(in million euros)



<sup>(2)</sup> Scope: Europe.

## Group's programs and issuances

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

Issuer	Instrument	Market	Amount	S&P	Moody's	Others
RCI Banque S.A.	Euro CP Program	Euro	€2,000m	A-2 (negative outlook)	P2	R&I: A-1 (positive outlook)
RCI Banque S.A.	Euro MTN Program	Euro	€23,000m	BBB (negative outlook)	Baa1 (stable outlook)	R&I: A- (positive outlook)
RCI Banque S.A.	NEU CP <sup>(3)</sup> Program	French	€4,500m	A-2 (negative outlook)	P2	
RCI Banque S.A.	NEU MTN <sup>(4)</sup> Program	French	€2,000m	BBB (negative outlook)	Baa1 (stable outlook)	
Diac S.A.	NEU CP <sup>(3)</sup> Program	French	€1,000m	A-2 (negative outlook)		
Diac S.A.	NEU MTN <sup>(4)</sup> Program	French	€1,500m	BBB (negative outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000m		Aa1.ar (stable outlook) <sup>(6)</sup>	Fix Scr: AA (arg) (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,520bn <sup>(5)</sup>			KR, KIS, NICE: A+
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,501m <sup>(5)</sup>		Aaa.br (stable outlook)	
RCI Finance Maroc	BSF Program	Moroccan	MAD2,000m			
RCI Leasing Polska	Bond Program	Polish	PLN500m			
RCI Colombia S.A. Compañia de Financiamiento	CDT: Certificado de Depósito a Término	Colombian	COP404bn <sup>(5)</sup>	AAA.co		

<sup>(3)</sup> Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.

<sup>(4)</sup> Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.

<sup>(5)</sup> Outstandings.

<sup>(6)</sup> Amended to Aa2.ar since July 2019.



This document and further information about RCI Bank and Services are available on: [www.rcibs.com](http://www.rcibs.com)



# **AUDITORS' REPORT**

**30 June 2019**

*This is a translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

## **RCI Banque**

Period from January 1 to June 30, 2019

**Statutory auditor's review report on the half-yearly financial information**

**KPMG S.A.**  
Tour EQHO  
2, avenue Gambetta  
CS60055  
92066 Paris-La Défense cedex  
S.A. au capital de € 5.407.100  
775 726 417 R.C.S. Nanterre

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**ERNST & YOUNG Audit**  
Tour First  
TSA 14444  
92037 Paris-La Défense cedex  
S.A.S. à capital variable  
344 366 315 R.C.S. Nanterre

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

## **RCI Banque**

Period from January 1 to June 30, 2019

### **Statutory auditor's review report on the half-yearly financial information**

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of RCI Banque, for the period from January 1 to June 30, 2019, and;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are prepared under the responsibility of your Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

#### **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in Note 3.A "Changes in accounting policies" to the condensed half-yearly consolidated financial statements which describes in particular the terms and conditions of implementation of IFRS 16 « Leases » as of January 1, 2019.



## 2. Specific verification

We also have verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject of our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, July, 30, 2019

Statutory Auditors  
*French original signed by:*

KPMG S.A.

ERNST & YOUNG Audit

Valéry Foussé

Luc Valverde



**CONSOLIDATED  
FINANCIAL  
STATEMENTS OF  
THE RCI BANQUE  
GROUP**

**30 June 2019**

## SUMMARY

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## 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
<b>TOTAL ASSETS</b>		<b>56 599</b>	<b>53 394</b>

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
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>56 599</b>	<b>53 394</b>

**CONSOLIDATED INCOME STATEMENT**

<b>In millions of euros</b>	<b>Notes</b>	<b>06/2019</b>	<b>06/2018</b>	<b>12/2018</b>
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)
<b>NET BANKING INCOME</b>		<b>1 008</b>	<b>984</b>	<b>1 930</b>
General operating expenses	23	(308)	(292)	(565)
Depreciation and impairment losses on tangible and intangible assets		(9)	(4)	(10)
<b>GROSS OPERATING INCOME</b>		<b>691</b>	<b>688</b>	<b>1 355</b>
Cost of risk	24	(93)	(80)	(145)
<b>OPERATING INCOME</b>		<b>598</b>	<b>608</b>	<b>1 210</b>
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)
<b>PRE-TAX INCOME</b>		<b>607</b>	<b>617</b>	<b>1 215</b>
Income tax	25	(180)	(171)	(333)
<b>NET INCOME</b>		<b>427</b>	<b>446</b>	<b>882</b>
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**

<b>In millions of euros</b>	<b>06/2019</b>	<b>06/2018</b>	<b>12/2018</b>
<b>NET INCOME</b>	<b>427</b>	<b>446</b>	<b>882</b>
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>
<b>Other comprehensive income</b>	<b>(41)</b>	<b>(39)</b>	<b>(60)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>386</b>	<b>407</b>	<b>822</b>
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)	
<b>Equity at 31 December 2017*</b>	<b>100</b>	<b>714</b>	<b>3 421</b>	<b>(251)</b>	<b>(21)</b>	<b>721</b>	<b>4 684</b>	<b>35</b>	<b>4 719</b>
Appropriation of net income of previous year			721			(721)			
Restatement of Equity opening amount			(82)				(82)	(7)	(89)
<b>Equity at 1 January 2018*</b>	<b>100</b>	<b>714</b>	<b>4 060</b>	<b>(251)</b>	<b>(21)</b>		<b>4 602</b>	<b>28</b>	<b>4 630</b>
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
<b>Total comprehensive income for the period</b>				<b>(55)</b>	<b>9</b>	<b>435</b>	<b>389</b>	<b>18</b>	<b>407</b>
Effect of acquisitions, disposals and others			2				2	13	15
Dividend for the period								(13)	(13)
Repurchase commitment of non-controlling interests								(1)	(1)
<b>Equity at 30 June 2018</b>	<b>100</b>	<b>714</b>	<b>4 062</b>	<b>(306)</b>	<b>(12)</b>	<b>435</b>	<b>4 993</b>	<b>45</b>	<b>5 038</b>
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
<b>Total comprehensive income for the period</b>				<b>(7)</b>	<b>(8)</b>	<b>423</b>	<b>408</b>	<b>7</b>	<b>415</b>
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)
<b>Equity at 31 December 2018</b>	<b>100</b>	<b>714</b>	<b>3 923</b>	<b>(313)</b>	<b>(20)</b>	<b>858</b>	<b>5 262</b>	<b>45</b>	<b>5 307</b>
Appropriation of net income of previous year			858			(858)			
<b>Equity at 1 January 2019</b>	<b>100</b>	<b>714</b>	<b>4 781</b>	<b>(313)</b>	<b>(20)</b>		<b>5 262</b>	<b>45</b>	<b>5 307</b>
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
<b>Total comprehensive income for the period</b>				<b>(14)</b>	<b>(25)</b>	<b>414</b>	<b>375</b>	<b>11</b>	<b>386</b>
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
<b>Equity at 30 June 2019</b>	<b>100</b>	<b>714</b>	<b>4 731</b>	<b>(327)</b>	<b>(45)</b>	<b>414</b>	<b>5 587</b>	<b>49</b>	<b>5 636</b>

- (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
<b>Net income attributable to owners of the parent company</b>	<b>414</b>	<b>435</b>	<b>858</b>
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)
<b>Cash flow</b>	<b>555</b>	<b>504</b>	<b>1 076</b>
Other movements (accrued receivables and payables)	51	(288)	(222)
<b>Total non-monetary items included in net income and other adjustments</b>	<b>193</b>	<b>(219)</b>	<b>(3)</b>
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	
<b>Net change in assets and liabilities resulting from operating activities</b>	<b>(174)</b>	<b>758</b>	<b>213</b>
<b>Net cash generated by operating activities (A)</b>	<b>433</b>	<b>974</b>	<b>1 068</b>
Flows related to financial assets and investments	(1)	(47)	(69)
Flows related to tangible and intangible non-current assets	(8)	(13)	(19)
<b>Net cash from / (used by) investing activities (B)</b>	<b>(9)</b>	<b>(60)</b>	<b>(88)</b>
Net cash from / (to) shareholders	(61)	1	(150)
- Dividends paid	(61)	(13)	(163)
- Inflows / outflows related to non-controlling interests		14	13
<b>Net cash from / (used by) financing activities (C)</b>	<b>(61)</b>	<b>1</b>	<b>(150)</b>
<b>Effect of changes in exchange rates and scope of consolidation on cash and equivalents (D)</b>	<b>7</b>	<b>(24)</b>	<b>(13)</b>
<b>Change in cash and cash equivalents (A+B+C+D)</b>	<b>370</b>	<b>891</b>	<b>817</b>
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)
<b>Change in net cash</b>	<b>370</b>	<b>891</b>	<b>817</b>

## 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"> <li>- Amendments to IFRS 3 “Business Combinations” and IFRS 11 “Joint Arrangements” entitled “Interests previously held in joint ventures”;</li> <li>- Amendments to IAS 12 “Income Taxes” entitled “Tax Consequences of Payments on Instruments Classified as Equity”;</li> <li>- Amendments to IAS 23 “Borrowing costs” entitled “Borrowing costs eligible for capitalization”.</li> </ul>

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:

<b>In KEUR</b>	<b>01/2019</b>
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
<b>Leases debt at 1st January 2019</b>	<b>55,279</b>

- (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:

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

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

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

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 III<sup>1</sup> 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 markets<sup>2</sup> and the tightening of bond spreads<sup>3</sup>. During the month of May, temporary trade tensions between the US and China led to a rise in market volatility.

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<sup>1</sup> Targeted Longer-Term Refinancing Operations: 7 quarterly 2-year operations.

<sup>2</sup> Euro Stoxx 50 up +15%

<sup>3</sup> 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 collect 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
<b>Cash and balances at central banks</b>	<b>2 329</b>	<b>2 018</b>
Cash and balances at Central Banks	2 329	2 018
<b>Term deposits at Central Banks</b>	<b>27</b>	<b>22</b>
Accrued interest	27	22
<b>Total cash and balances at central banks</b>	<b>2 356</b>	<b>2 040</b>

**Note 3 : Derivatives**

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

(\*) 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
<b>Hedging of currency risk</b>					
<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
<b>Hedging of interest-rate risk</b>					
<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
<b>Hedging of currency risk</b>					
<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
<b>Hedging of interest-rate risk</b>					
<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**

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

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

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

<b>In millions of euros</b>	<b>06/2019</b>	<b>12/2018</b>
<b>Loans and advances to customers</b>	<b>48 242</b>	<b>46 587</b>
Customer finance transactions	35 472	34 858
Finance lease transactions	12 770	11 729
<b>Operating lease transactions</b>	<b>1 129</b>	<b>974</b>
<b>Total customer finance transactions and similar</b>	<b>49 371</b>	<b>47 561</b>

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 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 €120m and is impaired by €43m at 30 June 2019.

## 6.1 - Customer finance transactions

In millions of euros	06/2019	12/2018
<b>Loans and advances to customers</b>	<b>35 640</b>	<b>35 047</b>
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
<b>Interest receivable on customer loans and advances</b>	<b>89</b>	<b>83</b>
Other non-defaulted customer credit	43	42
Non-defaulted ordinary accounts	43	37
Defaulted receivables	3	4
<b>Total of items included in amortized cost - Customer loans and advances</b>	<b>378</b>	<b>323</b>
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
<b>Impairment on loans and advances to customers</b>	<b>(635)</b>	<b>(595)</b>
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)
<b>Total customer finance transactions, net</b>	<b>35 472</b>	<b>34 858</b>

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
<b>Finance lease transactions</b>	<b>12 955</b>	<b>11 917</b>
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
<b>Accrued interest on finance lease transactions</b>	<b>11</b>	<b>10</b>
Other non-defaulted customer credit	10	9
Defaulted receivables	1	1
<b>Total of items included in amortized cost - Finance leases</b>	<b>(2)</b>	<b>(16)</b>
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
<b>Impairment on finance leases</b>	<b>(194)</b>	<b>(182)</b>
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)
<b>Total finance lease transactions, net</b>	<b>12 770</b>	<b>11 729</b>

**6.3 - Operating lease transactions**

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

**Note 7 : Customer finance transactions by business segment**

<b>In millions of euros</b>	<b>Customer</b>	<b>Dealer financing</b>	<b>Other</b>	<b>Total 06/2019</b>
<b>Gross value</b>	<b>38 682</b>	<b>10 951</b>	<b>600</b>	<b>50 233</b>
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>
<b>Impairment allowance</b>	<b>(732)</b>	<b>(117)</b>	<b>(13)</b>	<b>(862)</b>
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)
<b>Net value (*)</b>	<b>37 950</b>	<b>10 834</b>	<b>587</b>	<b>49 371</b>

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

<b>In millions of euros</b>	<b>Customer</b>	<b>Dealer financing</b>	<b>Other</b>	<b>Total 12/2018</b>
<b>Gross value</b>	<b>36 736</b>	<b>10 998</b>	<b>633</b>	<b>48 367</b>
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>
<b>Impairment allowance</b>	<b>(693)</b>	<b>(111)</b>	<b>(2)</b>	<b>(806)</b>
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)
<b>Net value (*)</b>	<b>36 043</b>	<b>10 887</b>	<b>631</b>	<b>47 561</b>

(\*) 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**

<b>In millions of euros</b>	<b>06/2019</b>	<b>12/2018</b>
<b>Tax receivables</b>	<b>456</b>	<b>379</b>
Current tax assets	17	26
Deferred tax assets	165	145
Tax receivables other than on current income tax	274	208
<b>Adjustment accounts and other assets</b>	<b>1 175</b>	<b>953</b>
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
<b>Total adjustment accounts – Assets and other assets (*)</b>	<b>1 631</b>	<b>1 332</b>
<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**

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

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 €159m in eligible bond securities.

**9.2 - Amounts payable to credit institutions**

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

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

**9.3 - Amounts payable to customers**

<b>In millions of euros</b>	<b>06/2019</b>	<b>12/2018</b>
<b>Amounts payable to customers</b>	<b>17 575</b>	<b>16 686</b>
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
<b>Other amounts payable to customers and accrued interest</b>	<b>103</b>	<b>95</b>
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
<b>Total amounts payable to customers (*)</b>	<b>17 678</b>	<b>16 781</b>

(\*) *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
<b>Negotiable debt securities (1)</b>	<b>1 368</b>	<b>1 826</b>
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
<b>Other debt securities (2)</b>	<b>3 518</b>	<b>2 780</b>
Other debt securities	3 516	2 778
Accrued interest on other debt securities	2	2
<b>Bonds and similar</b>	<b>20 108</b>	<b>18 903</b>
Bonds	20 003	18 804
Accrued interest on bonds	105	99
<b>Total debt securities (*)</b>	<b>24 994</b>	<b>23 509</b>
<i>(*) Of which related parties</i>	<i>128</i>	<i>95</i>

(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
<b>Taxes payable</b>	<b>673</b>	<b>620</b>
Current tax liabilities	164	124
Deferred tax liabilities	492	472
Taxes payable other than on current income tax	17	24
<b>Adjustment accounts and other amounts payable</b>	<b>1 711</b>	<b>1 543</b>
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
<b>Total adjustment accounts - Liabilities and other liabilities (*)</b>	<b>2 384</b>	<b>2 163</b>
<i>(*) Of which related parties</i>	<i>111</i>	<i>78</i>

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		
<b>Provisions on banking operations</b>	<b>496</b>	<b>158</b>	<b>(16)</b>	<b>(123)</b>	<b>(1)</b>	<b>514</b>
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
<b>Provisions on non-banking operations</b>	<b>112</b>	<b>5</b>	<b>(3)</b>	<b>(1)</b>	<b>10</b>	<b>123</b>
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
<b>Total provisions</b>	<b>608</b>	<b>163</b>	<b>(19)</b>	<b>(124)</b>	<b>9</b>	<b>637</b>

(\*) 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		
<b>Impairments on banking operations</b>	<b>806</b>	<b>189</b>	<b>(105)</b>	<b>(35)</b>	<b>7</b>	<b>862</b>
Customer finance transactions	806	189	(105)	(35)	7	862
<b>Impairment on non-banking operations</b>	<b>8</b>	<b>1</b>	<b>(1)</b>	<b>(1)</b>	<b>1</b>	<b>8</b>
Provisions for signature commitments	5			(1)		4
Other impairment to cover counterparty risk	3	1	(1)		1	4
<b>Impairment on banking operations</b>	<b>10</b>	<b>2</b>		<b>(2)</b>		<b>10</b>
Provisions for litigation risks	10	2		(2)		10
<b>Total provisions to cover counterparty risk</b>	<b>824</b>	<b>192</b>	<b>(106)</b>	<b>(38)</b>	<b>8</b>	<b>880</b>

(\*) 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
<b>Total subordinated liabilities</b>	<b>13</b>	<b>13</b>

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
<b>Financial assets</b>	<b>13 529</b>	<b>16 203</b>	<b>22 995</b>	<b>804</b>	<b>53 531</b>
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
<b>Financial liabilities</b>	<b>15 874</b>	<b>6 774</b>	<b>19 719</b>	<b>5 575</b>	<b>47 942</b>
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
<b>Financial assets</b>	<b>13 079</b>	<b>14 915</b>	<b>22 160</b>	<b>697</b>	<b>50 851</b>
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
<b>Financial liabilities</b>	<b>15 736</b>	<b>6 190</b>	<b>19 605</b>	<b>3 785</b>	<b>45 316</b>
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 (*)	
<b>Financial assets</b>	<b>53 531</b>	<b>1 518</b>	<b>3 729</b>	<b>48 208</b>	<b>53 455</b>	<b>(76)</b>
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)
<b>Financial liabilities</b>	<b>47 942</b>	<b>13</b>	<b>48 220</b>		<b>48 233</b>	<b>(291)</b>
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 (*)	
<b>Financial assets</b>	<b>50 851</b>	<b>1 015</b>	<b>3 196</b>	<b>46 399</b>	<b>50 610</b>	<b>(241)</b>
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)
<b>Financial liabilities</b>	<b>45 316</b>	<b>13</b>	<b>44 740</b>		<b>44 753</b>	<b>563</b>
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	
<b>Assets</b>	<b>1 639</b>		<b>1 639</b>	<b>53</b>	<b>878</b>		<b>708</b>
Derivatives	204		204	53			151
Network financing receivables (1)	1 435		1 435		878		557
<b>Liabilities</b>	<b>112</b>		<b>112</b>	<b>53</b>			<b>59</b>
Derivatives	112		112	53			59

(1) The gross book value of dealer financing receivables breaks down into €969m for the Renault Retail Group, 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 Brasil S.A, whose exposures are hedged for up to €185m by pledge 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	
<b>Assets</b>	<b>1 207</b>		<b>1 207</b>	<b>31</b>	<b>828</b>		<b>348</b>
Derivatives	123		123	31			92
Network financing receivables (1)	1 084		1 084		828		256
<b>Liabilities</b>	<b>82</b>		<b>82</b>	<b>31</b>			<b>51</b>
Derivatives	82		82	31			51

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

**Note 17 : Commitments given**

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

**Note 18 : Commitments received**

In millions of euros	06/2019	12/2018
<b>Financing commitments</b>	<b>4 789</b>	<b>4 820</b>
Commitments from credit institutions	4 789	4 820
<b>Guarantee commitments</b>	<b>15 664</b>	<b>14 138</b>
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
<b>Other commitments received</b>	<b>11</b>	<b>20</b>
Other commitments received	11	20
<b>Total commitments received (*)</b>	<b>20 464</b>	<b>18 978</b>
<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**

<b>In millions of euros</b>	<b>06/2019</b>	<b>06/2018</b>	<b>12/2018</b>
<b>Interests and similar incomes</b>	<b>1 475</b>	<b>1 371</b>	<b>2 751</b>
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
<b>Staggered fees paid for referral of business:</b>	<b>(375)</b>	<b>(316)</b>	<b>(656)</b>
Customer Loans	(302)	(259)	(534)
Finance leases	(73)	(57)	(122)
<b>Total interests and similar income (*)</b>	<b>1 100</b>	<b>1 055</b>	<b>2 095</b>
<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**

<b>In millions of euros</b>	<b>06/2019</b>	<b>06/2018</b>	<b>12/2018</b>
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)
<b>Total interest and similar expenses (*)</b>	<b>(380)</b>	<b>(355)</b>	<b>(702)</b>
<i>(*) Of which related parties</i>	<i>(2)</i>	<i>(3)</i>	<i>(6)</i>

**Note 21 : Fees and commissions**

<b>In millions of euros</b>	<b>06/2019</b>	<b>06/2018</b>	<b>12/2018</b>
<b>Fees and commissions income</b>	<b>301</b>	<b>273</b>	<b>545</b>
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
<b>Fees and commissions expenses</b>	<b>(113)</b>	<b>(103)</b>	<b>(213)</b>
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)
<b>Total net commissions (*)</b>	<b>188</b>	<b>170</b>	<b>332</b>
<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**

<b>In millions of euros</b>	<b>06/2019</b>	<b>06/2018</b>	<b>12/2018</b>
<b>Other income from banking operations</b>	<b>476</b>	<b>469</b>	<b>950</b>
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
<b>Other expenses of banking operations</b>	<b>(355)</b>	<b>(355)</b>	<b>(725)</b>
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)
<b>Other operating income and expenses</b>	<b>(1)</b>		<b>11</b>
Other operating income	7	8	27
Other operating expenses	(8)	(8)	(16)
<b>Total net income (expense) of other activities (*)</b>	<b>120</b>	<b>114</b>	<b>236</b>
<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
<b>Personnel costs</b>	<b>(149)</b>	<b>(139)</b>	<b>(295)</b>
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)
<b>Other administrative expenses</b>	<b>(159)</b>	<b>(153)</b>	<b>(270)</b>
Taxes other than current income tax	(38)	(39)	(43)
Rental charges	(4)	(5)	(11)
Other administrative expenses	(117)	(109)	(216)
<b>Total general operating expenses (*)</b>	<b>(308)</b>	<b>(292)</b>	<b>(565)</b>
<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
<b>Cost of risk on customer financing</b>	<b>(77)</b>	<b>(82)</b>	<b>(172)</b>
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
<b>Cost of risk on dealer financing</b>	<b>(6)</b>	<b>9</b>	<b>34</b>
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
<b>Other cost of risk</b>	<b>(10)</b>	<b>(7)</b>	<b>(7)</b>
Change in allowance for impairment of other receivables	(10)	(3)	(5)
Other valuation adjustments		(4)	(2)
<b>Total cost of risk (*)</b>	<b>(93)</b>	<b>(80)</b>	<b>(145)</b>
<i>(*) Of which related parties</i>	<i>(10)</i>	<i>(1)</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
<b>Current tax expense</b>	<b>(170)</b>	<b>(152)</b>	<b>(283)</b>
Current tax expense	(170)	(152)	(283)
<b>Deferred taxes</b>	<b>(10)</b>	<b>(19)</b>	<b>(50)</b>
Income (expense) of deferred taxes, gross	(10)	(19)	(51)
Change in allowance for impairment of deferred tax assets			1
<b>Total income tax</b>	<b>(180)</b>	<b>(171)</b>	<b>(333)</b>

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.