RCI BANK AND SERVICES

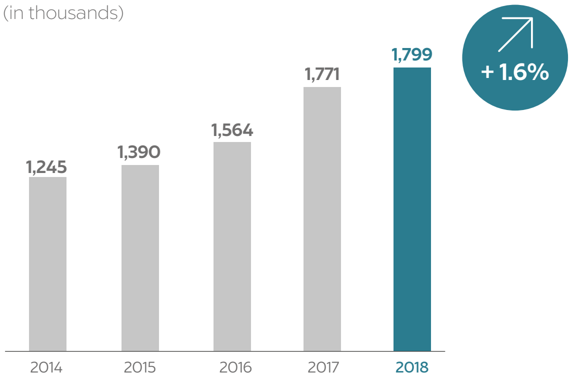
ANNUAL REPORT 2018

A YEAR DEDICATED TO OUR CUSTOMERS

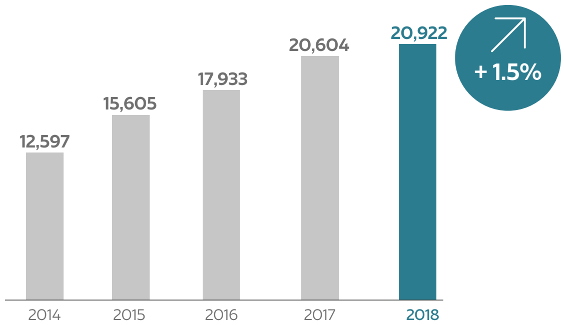
IN 2018,
RCI BANK AND SERVICES POSTS A RECORD-SETTING PERFORMANCE

All the key indicators of RCI Bank and Services improved, despite an overall stable environment.

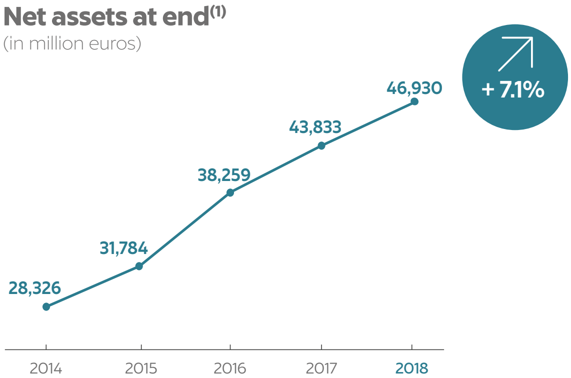
Total number of vehicle contracts
(in thousands)



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

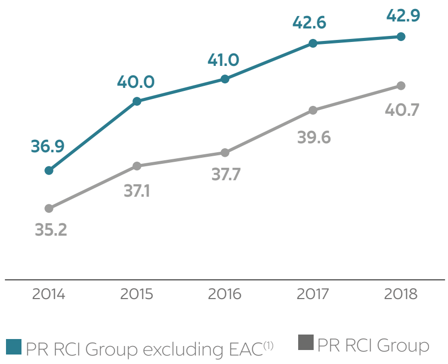


Net assets at end[1]
(in million euros)



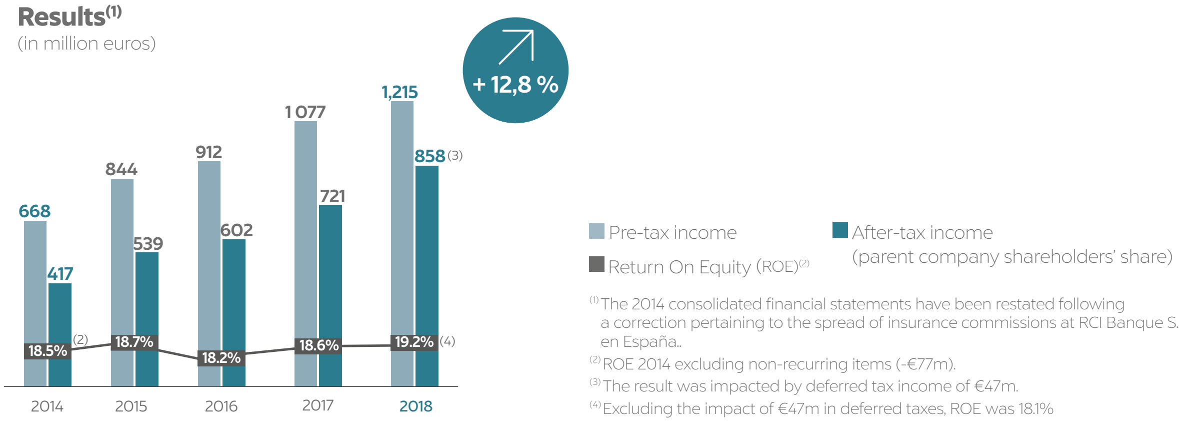
(1) Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

Financing penetration rate
(percentage of registrations)



(1) E.A.C : Excluding Equity-Consolidated (Turkey, Russia, India)

Results[1]
(in million euros)



(1) The 2014 consolidated financial statements have been restated following a correction pertaining to the spread of insurance commissions at RCI Banque S.A. Sucursal en España..
(2) ROE 2014 excluding non-recurring items (-€77m).
(3) The result was impacted by deferred tax income of €47m.
(4) Excluding the impact of €47m in deferred taxes, ROE was 18.1%

Through the relevance of its sales strategies and the innovative projects rolled out in all of its markets, the group is pursuing its growth.

3,500
EMPLOYEES

36
COUNTRIES

9
BRANDS

1.8
MILLION NEW FINANCING CONTRACTS
+1.6% vs 2017

20.9
BILLION EUROS IN NEW FINANCING CONTRACTS
+1.5% vs 2017

42.9%
OF REGISTRATIONS FINANCED[1]
+0.3 pt vs 2017

4.8
MILLION SERVICE CONTRACTS SOLD
+11.1% vs 2017

1.4
SERVICES SOLD PER VEHICLE
+0.2 pt vs 2017

355
THOUSANDS OF USED VEHICLE FINANCING CONTRACTS
+11.1% vs 2017

44.4
BILLION EUROS IN AVERAGE PERFORMING ASSETS
+12.0% vs 2017

1,215
MILLION EUROS IN PRE-TAX INCOME
+12.8% vs 2017

1.93
BILLION EUROS IN NET BANKING INCOME
+18.6% vs 2017

(1) 42.9 %: new vehicles of the Alliance / registrations new vehicles of the Alliance. Scope : RCI Bank and Services excluding equity-consolidated.

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2018

A YEAR AT THE SERVICE **OF THE ALLIANCE BRANDS AND ACCESS TO MOBILITY**

JANUARY

Brazil: RCI Bank and Services supports Renault in online sales of KWID… and develops pre-analysis

Banco RCI Brasil is supporting Renault to make the purchasing process more fluid. With the K-Commerce Renault website, customers can acquire Renault KWID in just a few clicks. And thanks to a new customer data pre-analysis solution, subscribing to a financing contract is more reliable and simple.
P29

RCI Finantare Romania launches a complete Box offer for its retail and professional customers

With the Box strategy – a packaged financing offer with services – our Romanian subsidiary launches a product for Dacia customers that is unique to the market. The result: boosted services and even more satisfied customers.
P34

FEBRUARY

Used vehicle financing: a winning strategy in a highly competitive market

Launched in 2016, the strategy aimed at boosting used vehicle financing is producing results. The used vehicle market has become a key pillar of RCI Bank and Services.
P15

Netherlands: RCI Bank and Services joins forces with Mitsubishi Motors to bring customers automotive financing services

RCI Financial Services B.V. is proposing a comprehensive range of services marketed under the Mitsubishi Motors Financial Services brand for the financing of stocks and the purchase of new and used vehicles.

MARCH

RCI Bank and Services launches Nissan dealer network financing in Argentina

Through the "Financiación Mayorista Nissan" project, our Argentinian subsidiary is financing 23 dealerships in the Nissan network, adding to the 40 Renault dealerships already financed.
P32

MORE THAN ONE IN THREE CARS SOLD BY GROUPE RENAULT ARE SOLD TO PROFESSIONAL "FLEET" CUSTOMERS.

Creation of RFI

Created to respond to the new needs of "fleet" customers, Renault Fleet International (RFI) is a joint entity of Groupe Renault and RCI Bank and Services. It develops bespoke offers including connected services and mobility coaching.

New spaces fostering co-creation

The head office of RCI Bank and Services in France, as well as the premises of its Italian and Argentinian subsidiaries, have been relocated to provide employees with pleasant work spaces that are more favorable to collaboration and innovation.
P37

25 %
THE INCREASE IN THE "PRIVATE LEASE" MARKET IN THE NETHERLANDS EVERY YEAR.

Our subsidiary launches a "private lease" offer in the Netherlands

Addressing retail customers of the Alliance brands looking for an all-in-one service, the offer includes leasing, car insurance, maintenance and wear parts, warranty extension, assistance and registration taxes. All the customer needs to do is manage their fuel consumption.

72,000
TAXIS AND PHVS USE ICABBI WORLDWIDE

powered by iCabbi

RCI Bank and Services acquires a 75% stake in iCabbi

Thanks to iCabbi software, taxi and PHVs companies can calculate in real time the routes of their customers and the availability of their drivers, thus optimizing their vehicle fleets. They can also use the iCabbi reporting tool to monitor their business activity.

APRIL | **MAY** | **JUNE**

"SPARK": stepping up the group's cultural transformation

RCI Bank and Services launches SPARK, a program to create a culture of innovation based on topics related to its businesses and customer expectations. The challenge is to stimulate the creativity of teams and thus favor the adaptation to a constantly changing environment.

P42

24
SUBSIDIARIES HAVE INTEGRATED THE GDPR IN ALL THEIR PROCESSES.

Our teams mobilize for the entry into force of the GDPR(1)

To adapt to the new regulation, RCI Bank and Services appointed a Data Protection Officer in September 2017 tasked with ensuring the company's compliance in relationship with the French data protection authority, CNIL, and supporting the teams in all countries.

(1) General Data Protection Regulation.

More accurate pricing worldwide thanks to in-depth analysis of each contract

Our teams continue to implement a solution for the analysis of key data, including margin per contract, made possible by the development of new technologies. The aim is to price our offers as accurately as possible thanks to the in-depth analysis of each contract.

P25

20 %

THE SHARE OF E·CO RIDES IN THE TOTAL VOLUME OF MARCEL RIDES IN FOUR MONTHS OF ACTIVITY.

Marcel launches e-co, the first range of chauffeur-driven vehicules that is 100%, affordable and eco-friendly

Our subsidiary Marcel proposes an innovative PHV solution: a fleet of electric vehicles mainly composed of Renault ZOE for zero-emission and silent trips starting at €5.

Transforming the managerial culture through Renault Way Team Experience

As part of the Renault Way, Groupe Renault has launched Renault Way Team Experience, a program of managerial training in teams that fosters collaborative work and the efficiency of all employees. At RCI Bank and Services, the seminar was initially attended by senior executives.

P44

JULY **AUGUST** **SEPTEMBER**

With France Digitale, RCI Bank and Services is at the heart of the start-up ecosystem

Through this partnership with one of the main start-up organizations in Europe, we are integrating an ecosystem of start-ups, investors, large partner groups and public institutions.

3,000

FRENCH AND EUROPEAN ENTREPRENEURS AND INVESTORS (INCLUDING RCI BANK AND SERVICES) MET UP ON SEPTEMBER 25 FOR FRANCE DIGITALE DAY IN PARIS.

RCI Bank and Services and Renault Spain launch YOU Rent, the leasing solution for complete peace of mind

Renault Spain customers benefit from an offer designed for all those looking for a carefree motoring experience: YOU Rent. The offer comprises insurance, maintenance, breakdown assistance, repair and vehicle replacement without the customer having to leave their home.

P19

Enhancing the customer experience with chatbots

In Brazil, France and South Korea, RCI Bank and Services is developing chatbots on all terminals. The virtual contact interacts in real time with customers, helping them with information, documents, simulations and payments.

UK: RCI Financial Services supports the launch of Dacia Buy Online

Since the end of October 2018, Dacia customers have been able to buy a new vehicle 100% on line on the Dacia Buy Online website – a first for the UK market.
P22

Fleets: DIAC Location launches a new 100% customizable portal in France

DIAC Location has created a new portal for professional customers bringing them access to key information (contract, maintenance, fuel consumption, expenses) for the optimized management of their fleet.
P26

MyPCP.ie: an innovative service for retail customers

In December 2018, RCI Bank and Services Ireland launched the MyPCP.ie website to assist customers in the decision-making process by providing them with clear and reliable information on the system. It helps them to take decisions on their options at the end of their contract.
P18

OCTOBER | NOVEMBER | DECEMBER

RCI Bank and Services, the new sponsor of ESCP-Europe's Institut Jean-Baptiste Say

Through the sponsorship, the group is forging closer ties with a pool of talented individuals passionate about new technologies and new consumer behavior, including the sharing economy and crowdsourcing.

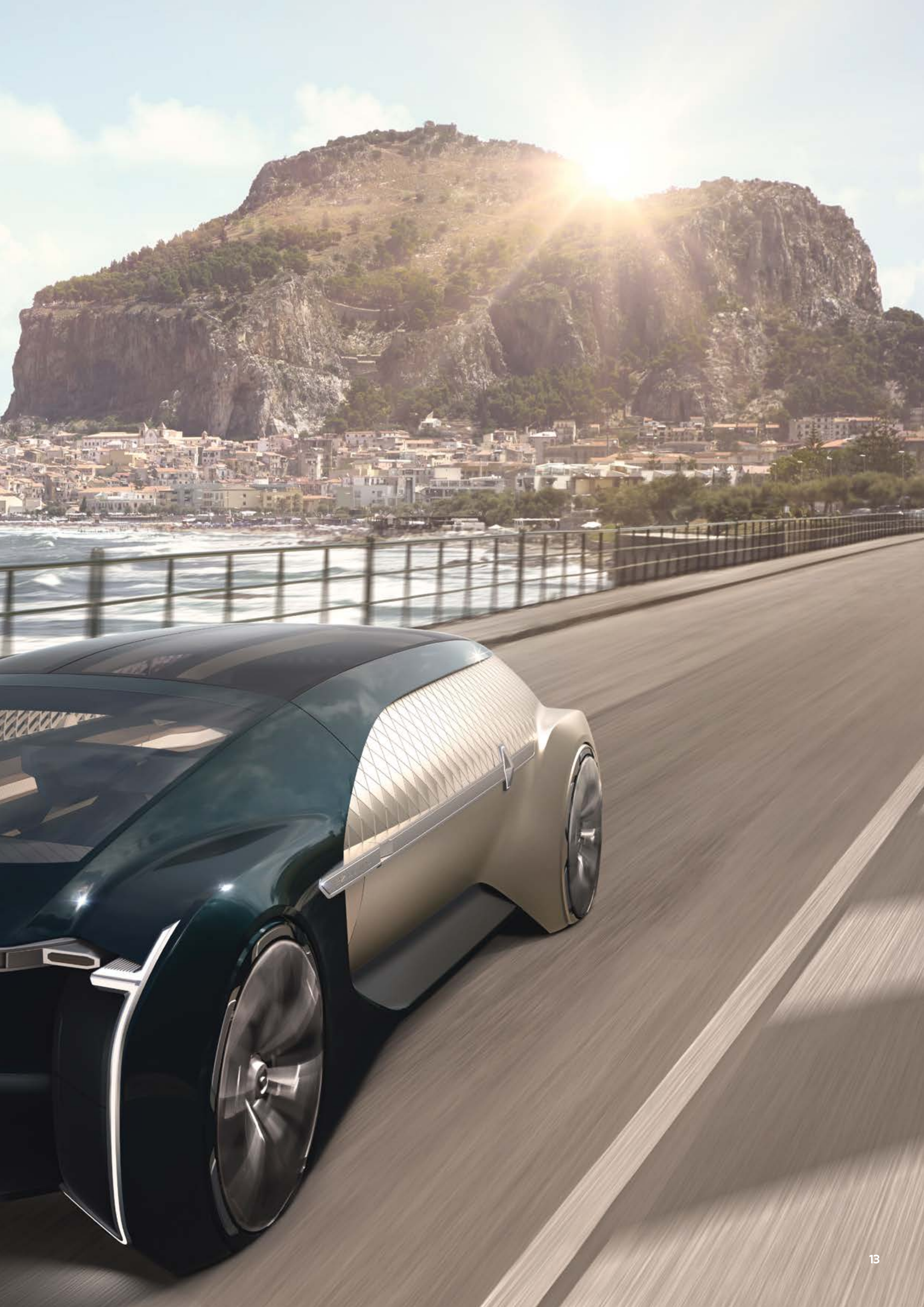
13,200 MEMBERS, THE NUMBER OF CUSTOMERS USING WHATSAPP MOROCCO. 50% OF THEM ARE ECONOMICALLY ACTIVE.

RCI Finance Morocco relies on WhatsApp to bring its customers quick and customized services

The subsidiary launches a special club on WhatsApp for Renault and Dacia customers. Each customer can request an early loan repayment, a certificate showing their outstanding loan balance, enter a change of address... directly via the app.
P21

SUCCESSFUL PROJECTS THANKS TO THE UNFAILING COMMITMENT OF OUR TEAMS.

PLAYING OUR PART IN THE **TRANSORMATION OF MOBILITY**



PERFORMANCE DRIVERS

NEW AND USED VEHICLE FINANCINGS, INNOVATIVE BESPOKE SERVICES: RCI BANK AND SERVICES IS BETTER ADAPTING ITS OFFERS TO THE EXPECTATIONS OF ITS CUSTOMERS.

SCOPE
World

TEAM
Adauto Quadrelli,
UV Director
Corporate

OBJECTIVE
Improve our performance in the used vehicle market

USED VEHICLES

A WINNING STRATEGY IN A HIGHLY COMPETITIVE MARKET

Within the scope of RCI Bank and Services, the used vehicle market is three times larger than the new vehicle market in terms of sales volumes. More stable overall, it also attracts younger customers constituting a pool of future customers for new vehicles. This is why used vehicle financing is a strategic driver of the development of our business. The offensive launched by RCI Bank and Services and the Alliance brands back in 2016 in this very promising market was reflected in strong results in 2018, with 355,274 financing contracts, up 11.1% on 2017. Below is a brief summary of the keys to this success.

Effective synergies for a complete offer

Competitors in this market are legion – from brokers and specialized merchants to C2C(1) platforms – but none of them have a global offer. Consequently, Renault and Nissan called on RCI Bank and Services to contribute to the development of the "Renault Selection" and "Nissan Intelligent Choice" labels. The aim was to extend the Renault and Nissan offering, initially focused on technical warranties and advice at dealerships through a range of services (warranty extension, insurance, maintenance, assistance) and financing contracts adapted to customer profiles in each country.

(1) Customer to Customer

A 100% digital offer

Customers today expect a simplified service available 24-7 bringing them as much autonomy as possible in each step. In 2018 the Alliance brands further digitalized their offer. Customers in Germany and Turkey can now display the list of used vehicles available in their sector, find out more about the offers and simulate financing, before subscribing and receiving pre-approval on line. This stands as a true innovation in the market, one that brings the Alliance brands a significant competitive advantage and which must be pursued in other European countries in 2019.

Promising upcoming developments

To bring customers an even more comprehensive service, Renault, Nissan and RCI Bank and Services are planning to develop the selection and purchase of used vehicles at home. A trial will be conducted in late 2019 in Spain in the Renault Retail Group[(1)] dealership network.

In addition, RCI Bank and Services has acquired solid expertise in the digitalization of the used vehicle labels of the Alliance brands – and this know-how can be adapted to other market segments. In 2018 Groupe Renault acquired Carizy, a C2C used vehicle sales website. To support the carmaker, RCI Bank and Services is preparing a trial offer in which it will act as the trusted third party for sellers and buyers on the platform. The platform will also feature a simulator as well as a module for online financing approval.

(1) Renault Retail Group belongs to Groupe Renault. A wholly owned subsidiary of the carmaker, Renault Retail Group is the number-two automotive retail group in Europe.

355,274 used vehicle contracts in 2018

THE NUMBER OF CONTRACTS SOLD IN USED VEHICLE MARKETS IN 2018 BY RCI BANK AND SERVICES, for growth of 11.1% in 2017 – the strongest posted by the group in this market. This constant and substantial growth is the result of a robust strategy on synergies between the Alliance brands and RCI Bank and Services, as well as speed of execution and the digitalization of our offers.

3 QUESTIONS FOR

Adauto QUADRELLI
Used Vehicle Director
Corporate

Faced with increasingly aggressive competition, we need to be inventive, agile and innovative if we are to keep our lead.

Adauto Quadrelli

1 Why is the used vehicle market so strategic?

Worldwide, the used vehicle market is two to three times larger than the new vehicle market. In some countries, such as Russia, it is nearly four times larger. It is also more stable than the new vehicle market and this stability is essential for certain countries and our dealer customers. In addition, Renault and Nissan did not wait for us to move into this market and launch their labels.
In the three years that we have been working together, the labels have been enhanced by our expertise in financing, services and digital technology. We helped the Alliance brand networks to appropriate this new version of the “Renault Selection” and “Nissan Intelligent Choice” labels and are proud of our contribution to their success.

2 How do you see your positioning relative to the competition?

The competition takes many forms and is highly aggressive. But practically no other mainstream players propose a comprehensive and integrated offer such as the Alliance’s. This positioning is unique in our 24 operating countries. The synergies between RCI Bank and Services and the Alliance brands are clearly our key strength, as demonstrated by the figures. Since 2016 we have generated 120,000 extra contracts thanks to used vehicles, for a 29% increase in financing and a 25% increase in services. Naturally, this momentum fully benefits the Alliance brands, with Nissan, for example, having grown its sales by 21% thanks to financing.

3 What means are you implementing to support your teams in the field?

We would not have been able to achieve this kind of success without the unwavering commitment of our teams on the ground and that of the dealers they support. We have organized numerous training sessions in 24 countries. For example, in Italy and Switzerland, the used vehicle team meets with the used vehicle salespeople of the dealership every year to train them and keep them informed of the latest financing and service offers. This close relationship is vital for receiving real-life feedback on our offers and how they match customer needs, especially since we need to continue innovating to constantly upgrade them.

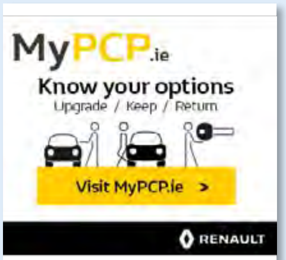
SCOPE
Ireland

TEAM
Liz O'Gorman,
Marketing Director
Renault Ireland
Brian McNulty,
Sales and
Marketing Director
RCI Bank and Services
Ireland

OBJECTIVE
Inform and assist
end-of-contract
customers

MyPCP.ie : AN ONLINE SERVICE PROVIDING INFORMATION AND DECISION-MAKING ASSISTANCE TO CUSTOMERS AT THE END OF A CONTRACT

RCI Bank and Services Ireland launched the MyPCP.ie website in December 2018. Designed as an information and decision-making assistance service, it was developed for customers with a Personal Contract Plan (PCP) seeking clear and reliable information, as this system may sometimes appear complicated.



PCP - Personal Contract Plan: a loan contract with the deferred payment of part of the vehicle value at the end of the contract ("balloon"). This type of financing limits monthly payments compared with a regular loan and brings customers the flexibility to decide at the end of the contract whether to become the owner of the vehicle (after paying the balloon or GMFV(1)), return it to the dealership or replace it with a new vehicle financed by another PCP.

(1) GMFV = Guaranteed Minimum Future Value.

The MyPCP.ie website addresses Irish customers of the Groupe Renault brands as well as any and all web users potentially interested in a PCP. It provides them with a simulator that estimates the value of their vehicle and finds them offers adapted to their needs and financing capacities. It is a truly useful service, especially when deciding on the possible options at the end of the PCP, be it keeping the vehicle, returning it or buying a new one. With over 6,000 visitors in the first week alone, the teams at Renault Bank Ireland have clearly demonstrated the relevance of their solution.

Liz O'GORMAN
Marketing Director
Renault Ireland

The market boomed in 2016 compared with the previous ten years owing to two related phenomena: economic recovery and an increase in the number of PCPs. At the time, some 32,000 PCPs were signed, all brands combined and all these people would be taking a major decision three years later. Consequently, the MyPCP.ie site was designed to help customers learn about all the options available to them through clear and objective information.

Financing their vehicle with a PCP may prove advantageous for many customers. With a PCP, they can access a car responding to their needs and not simply a car because they need one. The essential thing is that customers are aware of all the options available to them and can choose the offers that suit them best. Hence, the MyPCP.ie website is a unique website designed to answer all the questions on this subject.

Brian MCNULTY
Sales and Marketing Director
RCI Bank and Services
Ireland

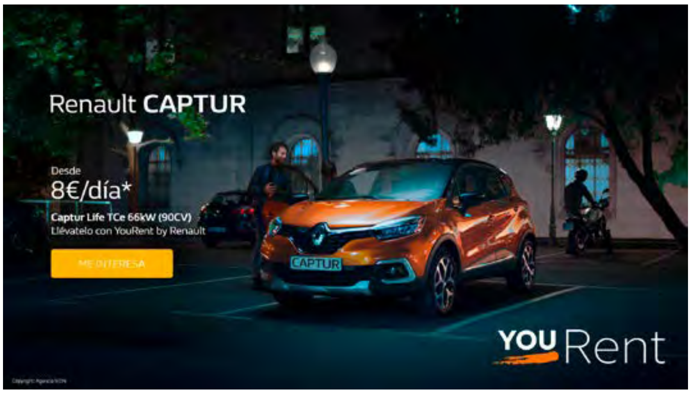
SCOPE
Spain

TEAM
Yolanda Salgueiro,
Marketing Director
RCI Bank and Services
España
Carlos Salas,
Sales Director
Renault Spain

OBJECTIVE
Propose
an all-inclusive
“easy life” offer

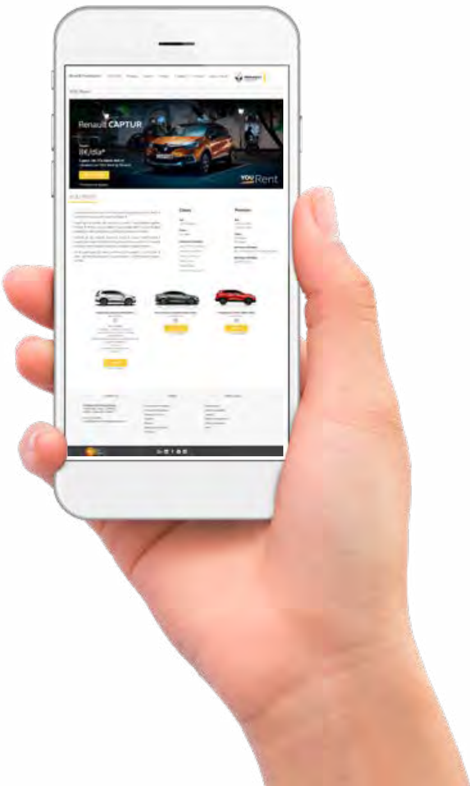
YOU Rent: THE LEASING SOLUTION FOR COMPLETE PEACE OF MIND

In 2018, Renault Spain customers benefitted from YOU Rent, an offer fully in step with the current trend of using cars but not owning them. The complete long-term leasing pack includes insurance, maintenance, breakdown assistance and a replacement vehicle delivered to the customer’s home. Renault picks up the car at their home address and drops off the replacement car, and then does the opposite once the car has been repaired.
On the highly competitive all-inclusive leasing market, the offer designed by Renault and RCI Bank and Services, constitutes an initial step in the discovery of the brand and its services and will soon be extended to the Dacia brand.



Carlos SALAS
Sales Director
Renault Spain

Given new consumer trends, the long-term leasing market for small fleets and retail customers is growing strongly in Spain.
This is why we launched YOU Rent.



Yolanda SALGUEIRO
Marketing Director
RCI Bank and Services
España

With YOU Rent, together with Renault, we are proposing a modern product adapted to the mobility requirements of today’s customers.
We are currently working on improving its profitability and making the services even more flexible. Our aim is to position YOU Rent as a product that attracts new customers and as a benchmark for Spanish customers.

CUSTOMER USAGES AND **DIGITAL TECHNOLOGY**

FROM 100% ONLINE CAR PURCHASES TO DAY-TO-DAY FLEET MONITORING AND REAL-TIME ANSWERS TO QUESTIONS, RCI BANK AND SERVICES IS OPTIMIZING THE CUSTOMER JOURNEY WITH DIGITAL TECHNOLOGY.

SCOPE
Morocco

TEAM
Abdelhamid Lotfi,
Marketing Director
RCI Finance Maroc
Aniss Fikri,
Risk Management
and Operations Director
RCI Finance Maroc

OBJECTIVE
Digitalize the customer relationship

RCI FINANCE MAROC LAUNCHES A SPECIAL CLUB VIA WHATSAPP FOR ITS CUSTOMERS

All new customer behavior today calls for the increased use of digital tools. This is the case in Morocco, with the launch of a new website, a customer space and a special Club via WhatsApp for Renault and Dacia customers. Abdelhamid Lotfi, Marketing Director, and Aniss Fikri, Risk Management and Operations Director, RCI Finance Maroc, review these developments.

A TWO-PERSON, THREE-POINT REVIEW

Abdelhamid LOTFI
Marketing Director
RCI Finance Maroc

Aniss FIKRI
Risk Management
and Operations Director
RCI Finance Maroc

It's in! Moroccan customers are fans of digital technology

Abdelhamid Lotfi: "Digital technology is vitally important in Morocco. Nearly 92% of the population have a mobile phone, 73% of whom a smartphone. And this last percentage rises to nearly 80% for under-40s. A full 93% of individuals with smartphones use mobile apps. Lastly, eight out of ten people use the social networks on a daily basis, nearly half of them spending over an hour on these sites[1].
To fully respond to our customers and their daily habits, digital technology is an excellent option."

A special WhatsApp app

Abdelhamid Lotfi: "WhatsApp is the number-one app here, with over 20 million reported users, or a full 58% of the population!
The user-friendly app is used to download videos, pictures and voice messages. It is an ideal tool for keeping in touch with family and friends. As such, we launched a special number on WhatsApp to ensure permanent and responsive communication with our customers while respecting the confidentiality of the shared information."

Aniss Fikri: "The WhatsApp customer Club has enabled us to develop closer ties by providing a personalized response for each customer and making procedures easier. With a simple message, customers can request an early loan repayment or a certificate showing their outstanding loan balance, enter a change of address, and so on."

Results and outlook

Aniss Fikri: "The launch has been a success. We process an average 50 requests a day, and sometimes over 100 during special communication campaigns."

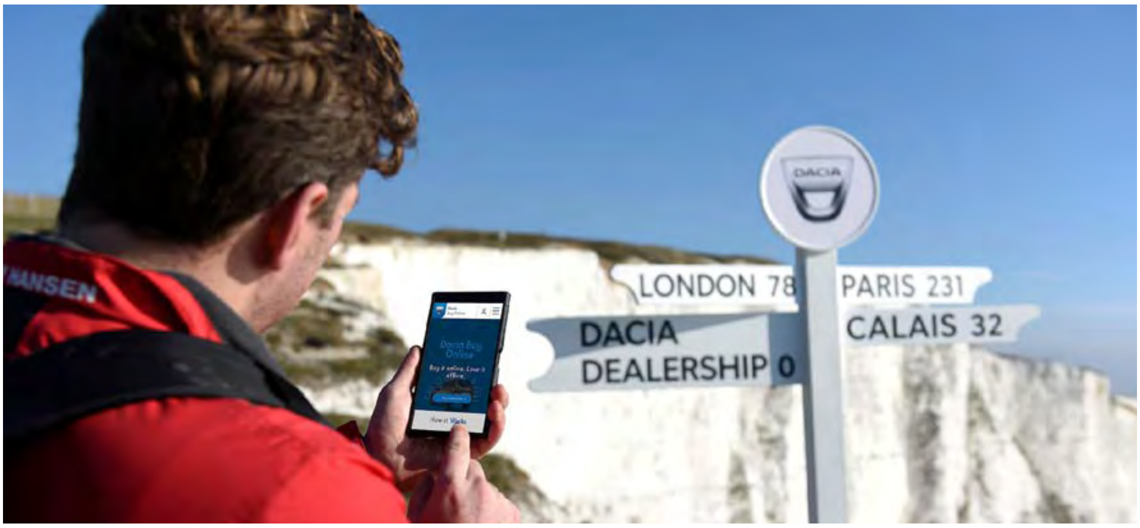
Abdelhamid Lotfi: "These excellent results are encouraging. Our aim in 2019 is to make it a channel for gaining loyalty, by offering customer advantages. We are also going to capitalize on the Club by continuing to inform members of new developments at the group in terms of vehicles or loans. We expect to top the mark of 20,000 members in 2019, covering 50% of the retail customers in our portfolio."

(1) Source: Press release by the National Telecommunications Regulatory Agency (ANRT), September 2018.

SCOPE
United-Kingdom

TEAM
Louise O'Sullivan,
Network Operations Director
Renault UK
Fiona Mackay,
Marketing Director
RCI Financial Services

OBJECTIVE
Develop 100% online sales



BUYING AND FINANCING A CAR 100% ON LINE: DACIA AND RCI FINANCIAL SERVICES INNOVATE IN THE UK

Louise O'SULLIVAN
Network Operations Director
Renault UK

Fiona MACKAY
Marketing Director
RCI Financial Services

Online purchases are becoming more widespread in the highly competitive UK market. With a tightly focused product line, the Dacia brand possessed a number of strengths for venturing into "100% online" sales. The RCI Bank and Services and Dacia teams worked hand in hand to digitalize the entire customer journey and launch Dacia Buy Online. The result has appealed to customers, while dealerships are pleased to have moved in to this new segment. Louise O'Sullivan, Network Operations Director Renault UK, and Fiona Mackay, Marketing Director at RCI Financial Services, our UK subsidiary, talk about the complex and fascinating project.

An already highly digitalized market and a brand with numerous strengths

A search for simplicity and a desire to innovate so as to satisfy fans of online purchases. These are the key motives behind Dacia Buy Online against the backdrop of a specific market environment, says Louise O'Sullivan. "This launch is a response to several challenges, but above all it addresses increasingly connected UK customers. Next to the USA, the UK is the second most digitalized country. UK customers are used to making expensive purchases on line, including holidays." She adds, "Many of our competitors have already moved into this market, including Hyundai, Peugeot and Ford".

According to studies, 25% of customers surveyed say they are willing to buy a car on line. And 53% of them would like to buy a car on line using a telephone or tablet for seeking information.
On average, they visit more than two dealerships before buying a car.

A mature market for which the brand has all the necessary strengths. "Dacia has a focused, 12-product range, a limited number of options and a very simple storage process, which translates into speedy deliveries. Customers making an online order expect a quick delivery. They certainly do not want to wait three months before receiving their car. One of our strong points is that the car is delivered to the end customer in no more than two weeks." Lastly, as Fiona Mackay notes, "The fact that we are Dacia's finance company is highly reassuring for buyers".

"Dacia opens 150 million new UK dealerships": a high-profile campaign

Louise O'Sullivan explains: "We started by rolling out pop-ups for a one-month period on the homepage of our website announcing the launch of Dacia Online. This approach proved successful, with numerous visits to the site. Then, in November, we launched a complete media campaign focused mainly on public relations. We launched press releases, advertising and pop-up stores.
Our positioning was 'another Dacia dealership'. There were potentially 150 million new dealerships, as each mobile phone or tablet became a virtual dealership." This perfectly adjusted campaign tackled a major challenge: "We launched Dacia just seven years ago in the UK and people don't always know where to buy our vehicles. The campaign played on that aspect by telling them: 'Do you know our brand? Welcome to our new-generation of online dealerships'". The humorous and offbeat ad campaign played on this opportunity effectively: "Our films emphasized the fact that even the most original venues could become dealerships, such as your bed or your fridge. Similarly, when we launched our video campaign, 'Go Duster', we were able to encourage our customers to buy the model directly on line," she says. The campaign was much remarked on and covered in the trade press.

A new relationship with customers... and dealers

Louise O'Sullivan continues: "Thus far, the number of visits continues to rise and we are on track to meet our objectives. Customers appreciate online purchases. They can test drive the car at the dealership and then buy it on line from home and thus save time. The feedback from dealers is positive, too, as they see it as a new way to attract new customers and develop new relationships with them. It is a real win-win situation."
Fiona Mackay adds: "Half of the customers having made an online purchase chose to pick up their car from a dealer, whom they trust. They like having a real person to explain to them how it works. We have also received excellent feedback from the network. Some dealers have asked us if they can put Dacia Online banners on their website."
Louise O'Sullivan comments: "We are really pleased with this, because getting dealers involved in the new approach was a key objective. But we also share the same ambition with them: we want everything to be based on the customer, and this means calling our current processes into question. This is a big step forward for all involved and we have all learned a lot!"

Younger customers and new customers

Fiona Mackay and Louise O'Sullivan both say: "We have attracted new customers through this new adventure, and we have learned more about them thanks to special questionnaires. Customers making online purchases are in their twenties.
For some, it is their first car, and they arrive with their parents! The average age for a Dacia Online purchase is 31, compared with 52 at dealerships. This, combined with the New Duster, will bring us a host of new customers."

A unified and hard-working pluridisciplinary team

Louise O'Sullivan: "The team is staffed by 20 people, but the project called on the efforts of most of our business lines. To successfully implement the campaign, we held daily meetings with the entire Dacia UK team, including customer relations, marketing and distribution.

With the RCI Financial Services project managers, we started out with weekly meetings and then switched to daily meetings toward the end of the project. The aim was to make sure that everything was consistent and that we maintained a strong connection with our dealer network by sending them the right messages."

Fiona Mackay: "For the RCI Financial Services teams, the project called on practically all the departments. We held daily meetings with the IT teams to monitor changes in needs and respond to them quickly. Together, we aligned our objectives and worked in true synergy. It was a cross-cutting and agile project. It was a real collective challenge, but we are incredibly proud. We succeeded in addressing every single aspect and found the right solutions."

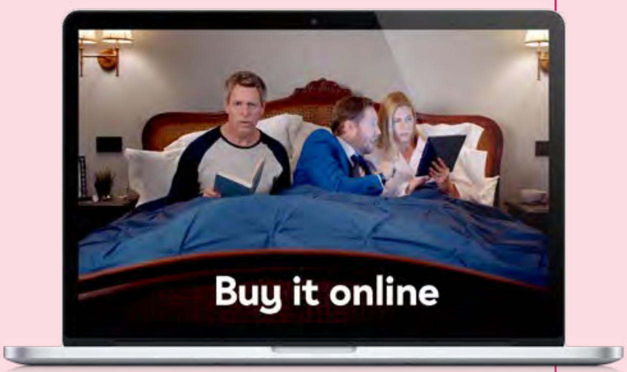
And in the future? Lessons to be shared and a bountiful outlook

Louise O'Sullivan explains: "We are going to share these lessons and technologies with other group countries where the same solution could be introduced." Sales are already satisfying, and should continue to increase, favoring the growth of the brand in the UK. "We will have to be ready, because Dacia online sales are set to grow."

And Dacia and RCI Bank and Services do not intend to stop there, say Louise O'Sullivan and Fiona Mackay: "We have numerous projects.

At RCI Financial Services, we are going to develop online pre-analysis to maximize opportunities, including for fleet customers, and develop new financing solutions. At Dacia, we will continue to enhance the customer relationship through customized offers and a loyalty program. We are going to continue developing the site, as well as the MyDacia app. Lastly, we are going to develop a store locator of dealerships for used vehicles."

A SIMPLE AND INTUITIVE CUSTOMER JOURNEY:



SINCE THE END OF OCTOBER 2018, DACIA CUSTOMERS HAVE BEEN ABLE TO BUY A NEW VEHICLE 100% ON LINE ON THE DACIA BUY ONLINE SITE – A FIRST FOR THE UK MARKET.

FOCUS ON THE DIGITALIZED CUSTOMER JOURNEY.

1. Log on to Dacia Buy Online and **choose your financing option,** be it a cash payment, standard loan or lease financing.
2. Fill out and modify **your financing criteria** in complete ease, notably your down-payment and monthly payments.
3. Obtain a complete **financing proposal.**
4. Choose **your vehicle options** and the corresponding services, such as a warranty extension or maintenance contract.
5. Choose the **delivery method,** either at the dealership or your home.
6. Access a **comprehensive summary** of the purchase conditions of your vehicle, and the complete financing form.
7. You will then receive the **final decision** on financing approval.
8. Choose the date for your **monthly payment,** then settle your down-payment and any fees automatically and completely securely using the **RCI e-payment** solution.
9. Send a **selfie,** so that RCI Financial Services can check that you are the holder of the ID documents sent.
10. Sign all the documents using **"click to sign",** a **certified electronic signature** system for approving your financing contract.
11. You are now the proud **owner of a Dacia,** which will be delivered to you in under two weeks.

SCOPE
Worldwide

TEAM
Franck Destouches,
International Finance
Project Manager
Corporate

Przemyslaw Malysz,
Administration and Finance
RCI Bank and Services
Deutschland

OBJECTIVE
Provide our customers with the most accurate pricing

A NEW DIGITAL SOLUTION FOR ANALYZING THE REAL PROFITABILITY OF CONTRACTS

The new digital tool used to analyze all contracts data in depth is implemented in almost all the countries of RCI Bank and Services. The aim is to bring our customers the most accurate pricing. Franck Destouches, International Finance Project Manager, who manages the implementation of the tool, and Przemyslaw Malysz, Administration and Finance Director at our German subsidiary, talk about the solution, which revolutionizes profitability analysis.

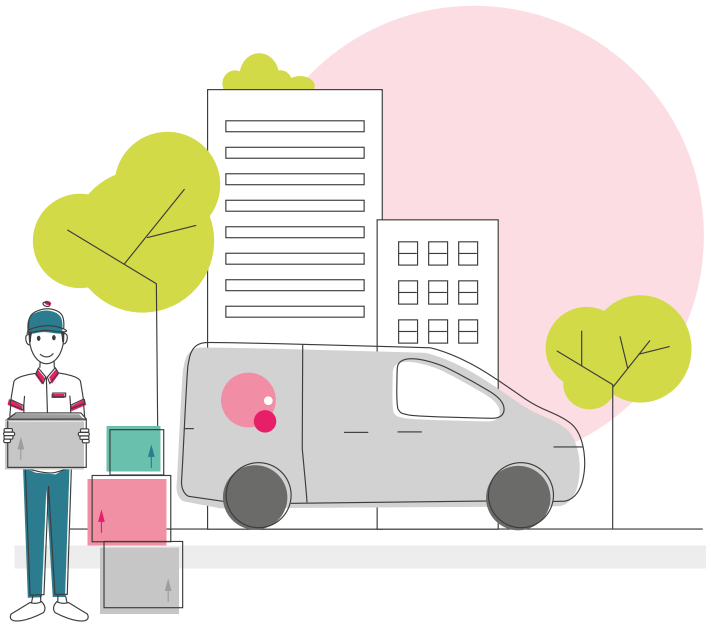
Franck DESTOUCHES
International Finance
Project Manager
Corporate

Przemyslaw MALYSZ
Administration and
Finance Director
RCI Bank and Services
Deutschland

Franck DESTOUCHES :
"We have rolled out a solution that increases the level of analysis on profitability, with the support of Management Control team. The pattern is replicated across the company, it is currently introduced at the Financing and Treasury Division on the Trading Floor as well as for other internal customers, including in the Division of Electric Vehicles. Our organization requires a simple and practical tool in order to manage several type of data. Amid these evolutions, this application allows the industrialization of processes and therefore a better work structure for any department. We reach a top-level analysis granularity across the board while respecting General Data Protection Regulation."

Przemyslaw MALYSZ :
"The app can be used to review all the results and the allocated costs. And thanks to the data visualization tool, we were able to launch new management charts for the Management Committee and marketing teams. Communication with head office was seamless throughout the project. We discussed this new solution and together established the first minimum valuable product. As a result, we are now developing the most accurate pricing possible for our customers."

WITH THE NEW SOLUTION, THE GERMAN SUBSIDIARY WAS ABLE TO CREATE FIVE NEW STRUCTURED DATABASES AND SAVE RECORD TIME ON PROCESSING WHILE MAINTAINING TOP-QUALITY PRODUCTION.



SCOPE
France

TEAM
Vincent Hauville,
Deputy CEO of DIAC Location, France Fleet Director

OBJECTIVE
Create complete digital solutions for fleets

FLEET MANAGEMENT: DIAC LOCATION LAUNCHES A NEW 100% CUSTOMIZABLE PORTAL

To support professional customers seeking complete digital solutions for fleet management, DIAC Location has created a new portal that its French customers can use to manage their fleet according to their business activity.
Among the portal's key strengths are customizable displays providing the right information at the right time and thus optimizing the use of vehicles.
Vincent Hauville, Deputy CEO of DIAC Location, France Fleet Director reviews the new portal.

Vincent HAUVILLE
Deputy CEO of DIAC Location, France Fleet Director

The solution in brief

The solution enables customers to monitor contracts in terms of operations, tax and administration on a day-to-day basis.
The customer space provides an overarching view in the form of a management chart as well as an in-depth analysis of the selected criteria. Customers can adjust the settings of the portal, selecting the data that they want to monitor (on contracts and/or vehicles).
On the home page, the management chart includes customizable indicators. It offers a comprehensive view of the fleet, with contract status and fuel consumption, and features maintenance alerts.
The bottom of the page displays the latest product- and tax-related news, as well as a video demonstration and new app features.
The "vehicle data analysis" section was developed by one

of the leading players in data management in France. The management chart can include information on the major part of the control units installed on vehicles, including the "native" units of Alliance carmakers and those of DIAC-partner specialized suppliers.

"For RCI Bank and Services, the portal, launched in late 2018, has three key objectives. First, it has to favor and optimize the use of vehicle driving information for greater proactiveness at the end of contracts, thereby boosting loyalty. Second, it has to improve the experience of our customers. And this objective has been met, since they can now intervene directly on their contracts and perform certain operations on line. They can easily access information relating to the optimization of their fleet, for example the lengthening or shortening of their contract or the addition of certain services such as tires. Lastly, our goal with the portal was to boost the efficiency of our sales teams by making information available at all times.

The eco-score and tracking functions are proposed and open to our customers. Based on data including speed, acceleration, deceleration, engine speed and average fuel consumption, the eco-score enables our customers to foster safer and more flexible road behavior internally, for greater driver safety and compliance with the CSR[1] policy of the companies. Fuel consumption monitoring also helps customers to reduce the unit ownership costs of their vehicles. With the tracking function, companies can optimize their rounds. Each driver can use the function to switch from "professional mode" to "personal mode". We have also naturally paid strict attention to the compliance of data management."

(1) Corporate social responsibility.

CUSTOMER EXPECTATIONS

AROUND THE WORLD, RCI BANK AND SERVICES IS BRINGING ALLIANCE BRAND DEALER NETWORKS AND CUSTOMERS AN ENHANCED EXPERIENCE.

SCOPE
Brazil

TEAM
Romain Darmon,
Marketing Director
Banco RCI Brasil
Murilo Bruno,
Risk Management Director
Banco RCI Brasil

OBJECTIVE
Make the customer
journey more fluid

BANCO RCI BRASIL INNOVATES **BY PROVIDING A MORE SEAMLESS CUSTOMER JOURNEY**

The automotive market in Brazil is adapting quickly to new customer behavior. To meet these new challenges, Banco RCI Brasil has developed pre-analysis for loan data to make the purchase process shorter, more seamless and more efficient for the customer... and supported the online sales of KWID for Renault. Murilo Bruno and Romain Darmon talk about how innovating can change the customer experience.

TWO
POINTS OF VIEWS

Murilo BRUNO
Risk Management Director
Banco RCI Brasil

Romain DARMON
Marketing Director
Banco RCI Brasil

“To save time for our customers, we have reduced the number of data items used to generate the credit rating of each customer to six. It now takes one minute (instead of 30) for sales advisers at dealerships to get back to customers” says Murilo Bruno.
Key to the process is the social security number and the extensive information it generates, a specific Brazilian characteristic, accounting for 80% of the financing decision. Romain Darmon continues: “With pre-analysis, we know 90% or 95% from the start whether the financing will be approved. And so the customer knows, when making the down-payment, whether their contract will be approved. The process is simpler and faster for customers, and with no unpleasant surprises.” All of this makes pre-analysis a key advantage in the highly competitive Brazilian market. It is also a major innovation, as Murilo Bruno explains: “We are the second captive finance company to do this here. But at our competitors, sometimes more than 100 criteria are still requested.
Thanks to pre-analysis with six criteria, we can better meet the expectations of our customers and considerably increase the number of simulations carried out.”

So how does it work?

"Using their mobile app, sales advisers can obtain a response on pre-approval in under a minute. A color diagram shows the customer's purchasing capacity for a car and a financing contract. Three green bars indicate that it is very likely that the financing request will be approved, two green bars that it is quite likely, and one red bar that the criteria need to be adjusted as the request may be refused. We can run up to three simulations at the same time and adjust the criteria until we obtain two or three green bars. Proximity with the carmakers is a major asset in this respect: we are not just a financing company, we work with them every day so that customers can acquire the car that best suits them," says Murilo Bruno. The new system has won over customers and dealers alike. One of them commented: "The pre-analysis color code is a great help. It is a very good system, quick and practical for simulations. It makes vehicle sales easier."

The strategy has already generated good results, but it offers major opportunities in the long term, especially in CRM[1], as Murilo Bruno explains:

"We have the customer's credit rating, contact details, required minimum down-payment and vehicle ownership history. So we can very simply pursue the relationship to generate new sales opportunities. This enables us to multiply our portfolio of potential customers by 2.5. If out of 2,500 people carrying out a financing simulation 1,000 of them obtain a firm proposal, then we can activate the 1,500 other prospects."

Thus far, the roll-out of pre-analysis has led to a substantial increase in the total volumes of new and used vehicle contracts, and has generated over 940 financing contracts a month (a figure that is increasing) and net margin of 3.8 million Brazilian reals. The average is 10,200 prospects a month, the approval rate probability is high, and we are also collecting all the information required for the CRM department.

With pre-analysis, Banco RCI Brasil is pursuing its strategy of supporting the carmaker by developing innovative financing solutions and digital tools that make the purchase process more fluid, following on from the success of online KWID sales. Murilo Bruno also refers to the launch of the K-Commerce online sales website in January 2018: "It is the same

(1) Customer Relationship Management

187,000
financing pre-analysis between September and December 2018

system as pre-analysis, but the KWID pre-booking and sales process is on line. The customer can pay in cash or subscribe to RCI Bank and Services' financing. The only physical contact occurs when the customer goes to the dealership to pick up their car and sign the contract. We are the first bank to launch this kind of approach in Brazil."

Romain Darmon adds: "Customers in Brazil are more and more inclined to buy their car on line. They visit under two dealerships on average before buying their car and carry out 80% of their decision-making process on line. For the KWID launch, thousands of people booked their vehicle on the website, much more than we had expected. And so we extended the experience by focusing on online financing." And the innovations do not stop there. "In a few weeks, with the e-signature, we will be able to offer a 100% online payment process. The only time customers will need to go to a dealership is to pick up their car." This makes for a promising outlook in 2019.

K-COMMERCE, OR HOW TO ACQUIRE RENAULT KWID IN JUST A FEW CLICKS

The customer selects the financing offer of their choice, the financing request is registered and pre-approval is generated immediately. The customer can choose their payment schedule and make their down-payment securely by credit card or bar-code invoice using the RCI e-payment solution. The administrative paperwork is then signed and approved at the Renault dealership.

SCOPE
Argentina
Worldwide

TEAM
José Luis Medina,
Managing Director
RCI Banque Argentina
Stéphane Vandemeulebrouck,
Director of the Dealer Network
Financing Department
Corporate

OBJECTIVE
Launch wholesale activity for the Nissan brand

NISSAN WHOLESALE ACTIVITY IN ARGENTINA: SUPPORT FOR DEALERSHIPS

The achievement is the result of a successful nine-month collaborative effort between Nissan and RCI Banque Argentina. Thanks to the "Financiación Mayorista Nissan" project, our subsidiary has since March 2018 financed 23 Nissan network dealerships, adding to the 40 Renault dealerships. The dynamic partnership harnessed the shared expertise of the Alliance brands and RCI Bank and Services.

3 QUESTIONS FOR

José Luis MEDINA
Managing Director
RCI Banque Argentina

1 What were the motivations for the launch? And what were the objectives?

We launched the retail business (financing for private individuals) for the Nissan brand in Argentina in October 2017. The automotive market was extremely dynamic at the time, with 2017 ranking as the second best year in history and first-quarter 2018 as the strongest ever in car sales. To realize its growth ambitions, Nissan required financial support, and RCI Bank and Services already had a stable and controlled financing activity with Renault, with financially robust dealerships. For RCI Bank and Services and its Argentinian subsidiary, the interesting aspect of financing Nissan dealerships was that it helped to forge a strong and stable relationship for the roll-out of retail financing.

2 Nearly one year later, what are the results?

At this point, the impact for RCI Banque Argentina is a 20% increase in sales. For Nissan, the initiative has resulted in sales growth of 3%. In addition, for the Nissan dealer network as a whole, the arrival of RCI Bank and Services has generated substantial investments in financial resources (capital and working capital). Previously, most of Nissan's dealerships were brand agents with only modest capital. The team responsible for the project supported them in each step of the process to help them to quickly become dealers. Some applicants were already Renault dealerships and so they had in-depth knowledge of the group's business and standards. Consequently, with the support of the carmaker, we succeeded in building a financially sound professional dealer network with a good rating and an average company capitalization percentage at a very healthy level of 66%. After nine months of activity, RCI Banque Argentina has financed 15,600 vehicles and generated average outstandings of 702 million Argentinian pesos.

3 To your mind, what were the keys to success?

To achieve these results, we naturally relied on the structures and organization already in place at the group, both in terms of IT tools and standards and processes, including risk analysis and inventory controls. But above all we worked hand in hand, in complete synergy, with the teams at Nissan.

Stéphane VANDEMEULEBROUCK
Director of the Dealer Network
Financing Department
Corporate

POINT OF VIEW OF ...

AN EVENTFUL YEAR FOR THE WHOLESALE BUSINESS WORLDWIDE IN 2018, WITH STÉPHANE VANDEMELEUBROUCK,

"Our inventory financing activity is operational in 29 countries and stands as a key pillar of our work. It fosters win-win relationships between the dealer network, carmaker and RCI Bank and Services. The business enjoyed an eventful year in 2018, with the financing of the new vehicle stocks of Lada in Russia and dealer network financing for Mitsubishi in the Netherlands and Nissan in Argentina. In Colombia, the group developed an e-payment solution enabling dealerships to settle their dealer network financings via a secure online platform, which speeds up administrative processes. To successfully implement these projects, we took advantage of group tools and existing organization systems."

We are very satisfied with the implementation of the wholesale activity for Nissan. We particularly appreciated the flexibility and commitment of the RCI Banque Argentina team.

Adrian García Ferre
Administrative
and Financial Division
Nissan dealer

2.8%

RCI Banque Argentina's contribution to the growth in Nissan's market share (compared with 1.9% in 2017) thanks to the new wholesale business.

SCOPE
Romania

TEAM
Paul Cirja,
Sales Director
RCI Finantare Romania
Rémi Froger,
Dacia Brand Manager
Corporate

OBJECTIVE
Boost services
in Romania

ROMANIA: **A "BOX" OFFER TO BOOST SERVICES**

The year in Romania was marked by the encouraging success of the Box strategy, a packaged financing offer with services developed for Dacia customers, retail in 2017 and corporate in 2018. Paul Cirja, Sales Director, RCI Finantare Romania , and Rémi Froger, Dacia Brand Manager Corporate, review the successful launch.

3 QUESTIONS FOR

Paul CIRJA
Sales Director
RCI Finantare Romania

> These results mean that the Box strategy is headed in the right direction at the right pace. I am confident in the action plan initiated to increase our maintenance-contract penetration rate to over 15%! This is our goal.

Paul Cirja

1 What makes the Box offer a major strategic asset?

In Romania, differentiation and competitiveness are all about prices. The aim with the Box offers is to bring our customers services and insurance policies linked to their vehicle or financing contract at highly competitive prices. The offer is unique to the market and not available from other carmakers. It is a key tool for raising the professional standards of Dacia salespeople, who are required to train on the sale of these special services.

2 How did you work with corporate marketing to develop the offers? What do they include exactly?

The group teams helped us to understand the "Box" approach and provided us with the benchmarks of these packaged offers already launched by the Italian and Spanish subsidiaries.
For small company fleets, we provide seven packaged services with the financing contract: maintenance contract, warranty extension, insurance services (Casco[1], CL[2] and Trafic Accident[3]), road assistance, and vehicle registration. For retail customers, our offer comprises four packaged services: a maintenance contract, a warranty extension and insurance policies (Casco and Trafic Accident).

3 What results have been achieved, and what is the outlook for 2019?

In 2018, 90% of retail customers subscribed to a Box offer and 50% of corporate customers purchased financial leasing. Our aim in 2019 is to reinforce performance in the retail segment and improve performance for corporate customers.

(1) Casco: an insurance policy covering damage to the vehicle
(2) CL: civil liability insurance
(3) Trafic Accident: compensation for road accidents

Rémi FROGER
Dacia Brand
Manager
Corporate

POINT OF VIEW OF...

"There are several types of packaged offers. The higher the level of the Box chosen (with more services and insurance policies), the lower the financing interest rate. This difference generally encourages customers to opt for the packaged Box with services. This is true in Romania, where the most complete and best equipped Box accounts for the majority of the sales mix.
This enables us to offer our customers competitive financings. And by doing so, we are better able to meet the common objectives of the group and the after-sales departments of the carmakers, i.e. increase the penetration rate and the sales of services and insurance. The goal in Romania was to grow the penetration rate in a complicated market. With the help of the group teams, the Romanian subsidiary was able to harness the best practices relative to equivalent offers in other countries. Rather than transferring the offers, the idea was to fully understand the mechanisms involved so as to adapt them to the Romanian market. The results so far have been satisfying and encouraging. The Box offer now stands as a real strength for RCI Romania."

THE PENETRATION RATE ON MAINTENANCE CONTRACTS HIT A RECORD LEVEL OF 13% IN ROMANIA, MORE THAN SIX TIMES THE PREVIOUS RATE.

The new Box was launched in March 2018 and RCI Romania's penetration rate has risen non-stop since, from 17.5% in March to 36.2% in December for Dacia.

Rémi Froger

OPEN CULTURE

IT IS BY HARNESSING THE CORNERSTONE OF AN OPEN CULTURE INTERNALLY THAT RCI BANK AND SERVICES SUCCESSFULLY ADDRESS THE CHALLENGE OF ITS TRANSFORMATION AT THE SERVICE OF THE CUSTOMER.

SCOPE
Corporate

TEAM
Olivier Chagnou,
Manager of the Relocation Project and Warden of the New Head Office
Corporate

OBJECTIVE
Create a venue for dialogue and information sharing

THE GROUP'S NEW HEAD OFFICE: A TRUE ASSET FOR OUR STRATEGY

7500 m² on 5 floors and 2 basement levels
10 months of projects, including 5 months of work for RCI Bank and Services

The relocation to rue d'Uzès is more than a simple change of address.

Olivier Chagnou

The DÔME

The true centerpiece of the group's new head office on rue d'Uzès in the second arrondissement in Paris, the DÔME is a warm and modular space featuring exceptional colors, decoration, materials and equipment. Perfectly adapted to in-house events, it is also a venue for work meetings, seminars and conferences with group partners such as ESCP Europe and France Digitale.

A space for living and sharing information

Beyond remodeling its work spaces, RCI Bank and Services designed its new head office as a place for dialogue and the sharing of information. Employees can meet up in its various spaces – including the DÔME, the Lab Inno and the Factory – for co-working sessions with colleagues or partners or to participate in a conference or seminar. The building has a profound impact on the employee culture and fosters dialogue, cross-functionality, creativity and responsiveness – a highly relevant choice for supporting the group's strategy.

3 QUESTIONS FOR

Olivier CHAGNOU
Manager of the Relocation Project and Warden of the New Head Office Corporate

1 Preparing for the move to rue d'Uzès was a real challenge. Can you tell us about that period?

The timing was extremely tight, with the lease signed in January 2017. In February we initiated calls for bids with suppliers and discussions on the design and layout of the premises. We officially took possession of the building in September, after the owner carried out the major works. And we had to move in by end-January 2018 at the latest.
In barely five months, we completed all the works, including the plumbing, air conditioning, electricity, paint and IT infrastructure – which is strategic for us given our banking activities – and, naturally, the decoration and the layout of the spaces. To that end, we worked with a general contractor, Tetris, which coordinated all the works with the main suppliers and whose technical expertise we counted on to optimize the quality-cost-deadline ratio of the project.

2 What has really changed for employees since the relocation?

The working world is changing, and work spaces are evolving to better support these changes and meet the various needs of our employees. We designed the work spaces to decompartmentalize them and, above all, to bring managers into physical contact with their teams. After a period of adaptation, everyone today is talking about the advantages of the new layout. RCI Bank and Services is seeking to implement a stimulating and motivating work environment. To do so, we paid particular attention to the design schemes and decoration, floor by floor, with premium materials, wood, glass and metal. Our new premises also make it easier to meet up and share information. In this respect, the DÔME is an exceptional venue. We invite our partners more often, including Renault, Nissan, bankers, insurers and start-ups, helping us to strengthen our relationships with them.
Lastly, as we are in the center of Paris, we are more attractive and are finding it easier to recruit, especially professionals with specific profiles such as data scientists, actuaries and specialists in regulatory matters.

3 Rue d'Uzès is in the center of the Parisian start-up ecosystem. Is that important for RCI Bank and Services?

It is extremely important! To underpin our strategy of services and the development of mobility, we are also closer to players in the banking and insurance sectors. This is a really strategic neighborhood for us, one in which we have instant access to our partners. Our subsidiaries Marcel and RCI Mobility are also located close to our head office.
Being here is key to the process of transformation undertaken by the group over the last few years, with a view to being recognized as an innovative bank that is close to its customers.

SCOPE
France, Corporate, UK, Germany, Brazil, South Korea

TEAM
Cyrille Foillard,
Director of Innovation Corporate

OBJECTIVE
Initiate fresh momentum among the teams and generate innovative projects

SPARK: ACCELERATING THE GROUP'S CULTURAL TRANSFORMATION

Regulation, customers, vehicles and the competition are changing fast. The teams at RCI Bank and Services need to take all of these changes on board and adjust to this ever-shifting environment. This is why the group launched SPARK in 2018. SPARK is a new-generation hackathon addressing our businesses and customer expectations.

With newcomers in the FinTech, InsurTech, PHVs and carsharing segments, along with GAFA, mobility and financing offers need to be diversified to respond to new customer behaviors.
Hence SPARK. "The program has a dual objective: to initiate fresh momentum among the teams and generate a portfolio of innovative and value-creating projects for ourselves and for our customers," says Cyrille Foillard, Director of Innovation. To design SPARK and implement it in five countries – Brazil, France, Germany, South Korea, and the UK – the group worked with Startup Inside, a French start-up that initiates companies into agile innovation and intrapreneurship.

A competitive system for converting ideas into prototypes

With SPARK, employees are testing the Cube method and learning about a new way of working as part of an experience that fosters innovation and commitment. In April 2018, the first season of SPARK brought together nearly 150 employees in France, South Korea, and the UK. Working in small groups over a three-day period, they converted shortlisted ideas into prototypes. Each group made a five-minute pitch of its work. The second season, in December, was attended by some 180 employees in Brazil, France and Germany. In the end, six projects were selected and have since been under in-depth review with a view to trialling them in the RCI Bank and Services ecosystem.

Three intense and fulfilling days

The working groups were able to count on the support of facilitators and mentors. The facilitators – consultants from Startup Inside – introduced them to the Cube method and helped them to remain in line with customers expectations. The mentors – from outside the group and the company's top management – drew on their experience to advise the employees. The feedback was extremely positive, with 99% of the participants recommending the experience to their colleagues.

> By including managing directors from Renault and Nissan in Germany, experts from start-ups and representatives from RCI Bank and Services in the initiative, we strengthened the reach of SPARK, as well as our integration in the brands.

Pierre-Yves Beaufils

Managing Director of RCI Bank and Services Deutschland

> All the participants form a community of ambassadors who, I hope, will serve to perpetuate the SPARK adventure and help to disseminate innovative ideas at the company.

Thibault Paland

DIAC Managing Director

3 QUESTIONS FOR

Cyrille FOILLARD
Director of Innovation Corporate

1 What benefits do employees gain from this immersion in the world of start-ups?

SPARK brings them an extremely intense and unique experience, as everything about the Cube approach is new! In three days they form a fully operational team, often without knowing each other beforehand. Their task is to assimilate and apply the Cube method and convert an idea into a collective project that is viable for the group. They then pitch their project in five minutes to a jury made up of company executives. The experience helps them to see how to place the customer at the core of their thinking by applying an agile method.

2 What impressed you the most about your participation in SPARK?

I took part in the second edition of SPARK in December as a mentor and jury member. I observed how much the creativity and enthusiasm of the employees are communicative. I was impressed by the quality of the projects they presented. And I got to see my colleagues in a new light, in an atmosphere that was informal and friendly, and charged with adrenaline.

3 When are the next seasons?

After a high-impact launch in 2018, with two seasons involving over 300 employees in five countries, SPARK will now be operating at cruise speed with an annual session, probably in the second half of the year and in three countries. This will give us the time to continue supporting the winning projects from 2018.

CUBE: A SIX-STEP CO-CREATION METHOD

Harnessing its experience in open innovation, Startup Inside has created Cube, a method favoring collective intelligence. It facilitates collaborative efforts among working groups and helps them to quickly transform an idea into a project in six steps.

1. Establish the objective and the desired result
2. Characterize the end user(s)
3. Imagine the solution
4. Produce a prototype of the solution
5. Test the prototype
6. Give the project a name

SCOPE
Corporate
Italy

TEAM
Jean Marc Saugier,
VP Finance and Group Treasury
Corporate
Armando Maggio,
Human Resources Director
RCI Bank and Services Italia

OBJECTIVE
Foster the well-being
and efficiency of all staff

RENAULT WAY TEAM EXPERIENCE: TRANSFORMING THE MANAGEMENT CULTURE TO TRANSFORM THE GROUP

Groupe Renault, assisted by the "Centre d'Etude des Entreprises ", has launched Renault Way Team Experience, a series of seminars aimed at fostering the well-being and efficiency of all employees with a view to satisfying customers on a lasting basis and achieving top-level results. The transformational dynamic favors buy-in of the five action principles of the Renault Way, first and foremost involving the top management of RCI Bank and Services. The approach will be implemented gradually with all the company's managers of managers in 2019.

Renault Way Team Experience in short

The Group has launched Renault Way Team Experience, a program dedicated to managers, as part of the Renault Way approach. At RCI Bank and Services, the seminar was initially attended by senior executives. "The experience shows that change must be embodied at the highest levels if it is to take root in an organization. We help managers to develop their listening skills and their ability to call themselves into question, and to create an environment fostering unity and performance at the service of customers". says Sarkis Rouhban, consultant and partner at "Centre d'Etude des Entreprises". The seminars are designed above all as a place for open and constructive dialogue on what works and what doesn't work, so as to find solutions collectively. The benefits are legion. The listening and communication dynamic tested at the seminars boosts the quality of relationships, solidarity, creativity and each person's efficiency. And, naturally, the projects led by the team and company are enriched.

> **Daring to say that you have a problem is fantastic, as it generates progress for everyone. Our weaknesses constitute strengths when we share them.**

Sarkis Rouhban
consultant and partner
at "Centre d'Etude des Entreprises"

3 QUESTIONS FOR

Jean-Marc SAUGIER
VP Finance and
Group Treasury
Corporate

1 What did you expect from your participation in the Renault Way Team Experience seminar?

At the start, I thought I would be attending a fairly theoretical seminar on major management principles. I was surprised by the format. It is founded on two simple but fruitful ideas: “share reality openly” and “make it simple”. The consultant supporting us really helped us to develop our listening skills and by doing so freed up the voices of all the participants. We had taboo-free dialogues on how our team works, as well as on our objectives, projects, business and customer expectations.

2 What did you gain from the seminar?

The seminar has a number of benefits. I noticed that our relationships are stronger, no doubt thanks to the frankness and goodwill of our debates. There was a greater sense of solidarity, and we learned to share our problems and find solutions together. By comparing our points of view on a situation or problem, we were able to see things differently. This is crucially helpful in overcoming obstacles.

3 How are you going to use what you learned at the seminar?

At the seminar with my own team, we established our priorities on progress and new operating rules that are based on common sense but bring us a real plus, such as the structuring of team meetings. We are going to organize get-togethers on a more regular basis.

THE 5 ACTION PRINCIPLES OF THE RENAULT WAY

POINT OF VIEW OF...

Armando MAGGIO
Human Resources Director
RCI Bank and Services Italia

Since the Management Committee of RCI Bank and Services Italia organized this seminar, we have implemented several operating rules. Some of them are aimed at giving each person a voice in a receptive environment. Others foster the circulation of information and the autonomy of our teams. For example, after each management committee meeting, we now conduct a 15-minute feedback session with our departmental heads. Renault Way Team Experience improves the quality of our relationships, well-being and the commitment of all staff with simple changes to be put in place. This is why we have decided to train all of the teams more quickly than planned. To pursue and instill the experience of the seminar, each team also has its short-, medium- and long-term action plans. The human resources heads will support them in the implementation of these transformations over the long run.

INTERVIEW WITH
BRUNO KINTZINGER

Chief Executive Officer

ANOTHER RECORD YEAR FOR RCI BANK AND SERVICES

2018 represents another record year in sales and financial terms for RCI Bank and Services. What is your take on this strong year?

In an automotive market that grew 1.2% in the operating scope of the subsidiaries of RCI Bank and Services, Alliance brand registrations came to 3.5 million units in 2018, compared with 3.7 million in 2017[1]. 2018 was a record year both in terms of the number of vehicle financing contracts[2] and of the penetration rate. We made major advances in used vehicle markets, with over 350,000 new UV financing contracts, as well as in services, selling 4.8 million service contracts.
In Argentina and Turkey – both impacted by devaluations – we reacted quickly by supporting the carmakers and the network with adapted offers. It was also an excellent year from a financial standpoint, reflected in unprecedented pre-tax income of €1,215 million.
In 2018, we also continued to support the sales of the Alliance brands. For example, the wholesale activity has now been fully rolled out for the Nissan brand in Argentina.

4.8 million services sold

For several years now, RCI Bank and Services has been transforming to listen ever more closely to its customers and bring them innovative solutions. What were the major developments in this strategy in 2018?

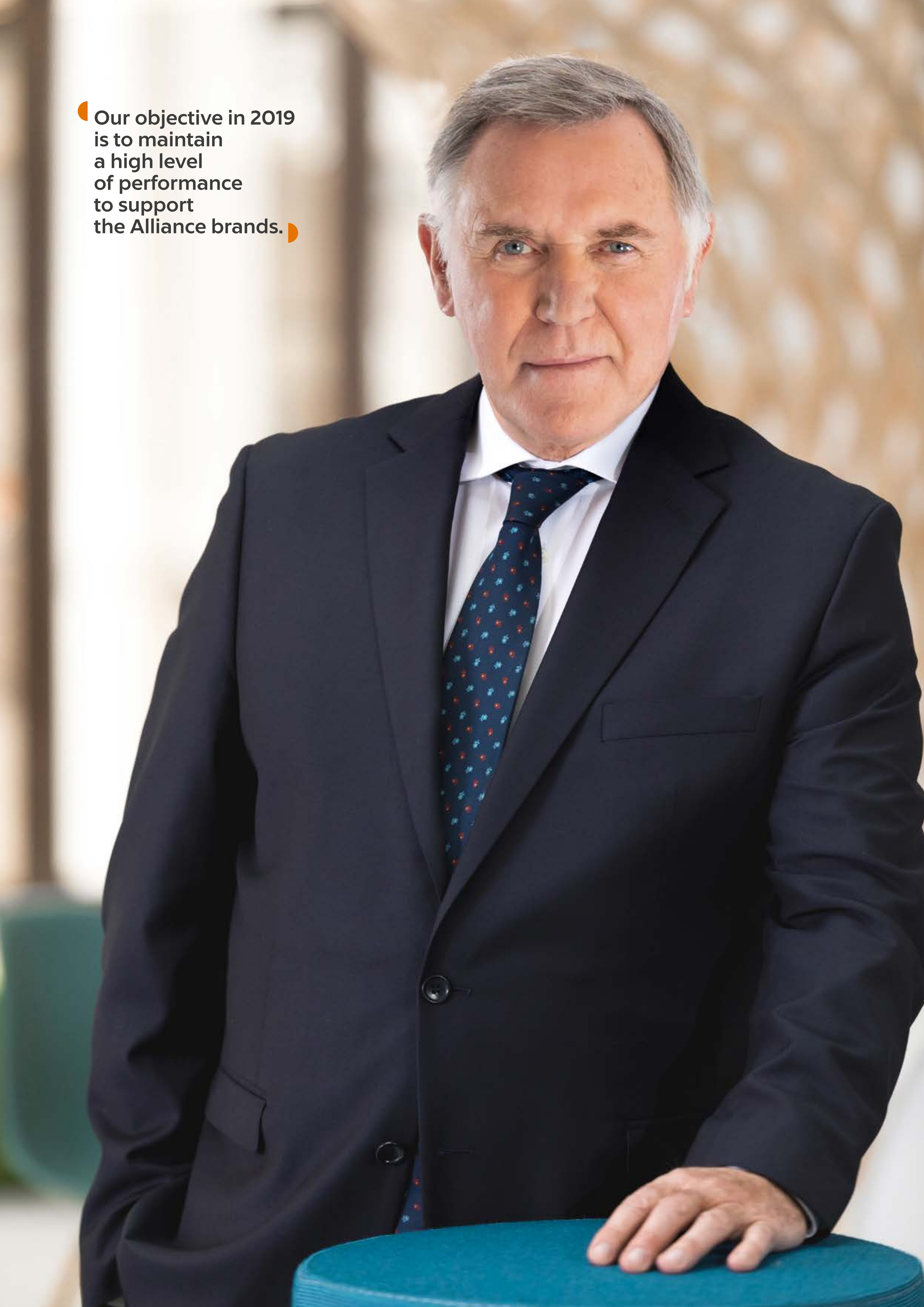
The digitalization of our financing offers and services is a major focus for RCI Bank and Services to better meet customers' expectations.
Dacia online, launched jointly with Renault in UK, is undoubtedly one of the flagship projects of 2018. On this new site, retail customers can complete their purchase journey in its entirety and in full autonomy, choosing their model, subscribing to a financing solution and selecting their delivery method.
Through the introduction of telematics and data analysis services, our fleet customers now have a real-time reporting and management system to optimize the use of their fleets in France and Italy.

The Savings business remains a key pillar of RCI Bank and Services refinancing strategy. What is the group doing to maintain these resources?

The Savings business is indeed a major source of refinancing. The retail savings business grew €0.9 billion last year to reach €15.9 billion at December 31, 2018. As it is a highly competitive market, we are working on two differentiation areas: attractive rates whenever the market allows and our ability to offer the easiest possible access to our customers. Consequently, we are developing simple and digital solutions for subscribing to our offers.

(1) In the scope of RCI Bank and Services in 2018, in thousands of units.
(2) New and used vehicles.

Our objective in 2019 is to maintain a high level of performance to support the Alliance brands.



> The digitalization of our financing offers and services is a major focus for RCI Bank and Services to better meet customers expectations.

What is your assessment of the satisfaction of the group's customers?

We closely monitor the way in which our customers appreciate the competitiveness of our products, their diversity and service quality (including responsiveness, quality of information and simplicity of contact).
We assess the net recommendation rate of end customers relative to the Renault dealership where they bought their car. This rate is 5.6 points higher where customers finance their car through RCI Bank and Services. This demonstrates our contribution to the loyalty of Renault customers to the network through our financing and service offers.
In 2019, we will be pursuing our efforts to maintain and improve the satisfaction of our customers and we also plan to measure it for Nissan brand.

RCI Bank and Services is developing mobility services in line with the strategy of Groupe Renault and Nissan. What did you achieve on this front in 2018?

We are in a test-and-learn approach alongside Groupe Renault and Nissan, in a constantly changing new mobilities market.
In June we acquired a majority 75% stake in iCabbi, a dispatch management company[3] for taxi and ride-hailing automotive fleets. In September, our subsidiary Marcel launched e·co in Paris, the first range of all-electric, economical and eco-friendly ride-hailing vehicles. By the end of December, e·co already accounted for 20% of Marcel rides.

(3) Automated fleet management solution based in the Cloud.

How are you developing creativity and innovation among the teams at RCI Bank and Services?

Our aim is to create a favorable and positive environment for all our teams, and we are doing so on several fronts. A major achievement in this respect was moving our head office to the center of Paris, to be as close as possible to the start-up ecosystem. Our new premises are designed to break down the walls between work spaces so as to foster the sharing of information between teams, as well as cross-functionality and responsiveness.

To familiarize our teams with new working methods, we have also developed an in-house innovation program called SPARK, which nearly 350 employees in six countries have already attended. The participants, from all the company's businesses, thought of new services linked to the company activity. They presented several interesting projects to us, developed in just three days. Today, the winning teams are continuing their work together and we are providing them with the necessary resources to fully realize their projects.

What are the main challenges for RCI Bank and Services in 2019?

With the world automotive market expected to be stable in 2019, our objective is to maintain a high level of performance to support the Alliance brands. To that end, we will be pursuing our efforts on listening to our customers and digitalizing our offers, and, naturally, remaining agile and responsive. We will also be rolling out special connected services for fleets in other countries in 2019 with a view to seizing new opportunities in this high-potential market.

In terms of Savings business, we will be launching our deposit collection activity in Brazil in the first half of the year. These deposits will contribute to the financing of car loans granted to Groupe Renault and Nissan brand customers and thus support the brands' growth in the Brazilian market.

As for Brexit, we are ready. We have finalized the creation of a bank in the UK with a license and a special capital endowment. This is the beginning of a new adventure.

This year will also see the implementation of Renault Way Team Experience seminars for all managers of managers at RCI Bank and Services. Launched by Groupe Renault, the workshops aim to foster the well-being and efficiency of all employees with a view to bringing our customers lasting satisfaction and achieving top-level results. The program is a real step forward in terms of management and an integral component of our customer-centric approach.

355,274

used vehicle financing contracts

MESSAGE FROM
CLOTILDE DELBOS

Chairman of the Board

> These record results are also due to our ability to transform the disruptions of our environment into opportunities.

A YEAR OF PERFORMANCES AND INNOVATIONS AT THE SERVICE OF THE ALLIANCE BRANDS.

We faced strong headwinds in 2018 in several markets, including Argentina and Turkey, as well as in Europe. Against this backdrop, Groupe Renault successfully maintained its sales, held its market share in Europe, and offset difficulties in some emerging markets through good results, notably in Russia and Brazil, while safeguarding a good level of profitability.

RCI Bank and Services is an integral part of the value chain of the carmaker and of the Alliance brands. In this respect, RCI Bank and Services supports the performance of the brands, but also serves to sustain this performance by building a solid margin along the duration of the new financing and by increasing the customers' loyalty to Alliance brands.

In a turbulent automotive market in 2018, the excellent commercial and financial results of RCI Bank and Services gave us the necessary room for maneuver to explore new markets and new automobility trends while maintaining substantial financial solidity.

These record results are also due to our ability to transform the disruptions of our environment into opportunities. RCI Bank and Services size ensures it impressive agility. FinTech firms are not direct competitors for captive finance companies, but they do raise questions on our way of working and push us to innovate. The growing digitalization of our businesses must not only make us more efficient but also establish RCI Bank and Services as a choice of simplicity, a source of perceived quality and satisfaction for our customers.

We harness this agility every day for our business and implement it internationally to address the difficulties we experienced in 2018 in Argentina, Turkey and the UK.

What about tomorrow?
The Alliance brands will face numerous challenges in 2019 and commercial, financial and regulatory pressure is not expected to subside.

RCI Bank and Services will rely on its fundamentals to sustain its high-level contribution to Groupe Renault results, seeking ever stronger performance in traditional business through reinforced collaborations with Alliance brands and ever stronger integration in the customer journey of the brands.

As such, the entire management team at RCI Bank and Services will remain focused on objectives and market trends while continuing to work on the service provided to the end customer.

In terms of innovation and digitalization, we need to develop a uniform service offering that meets the specific needs of each country. To that end, we will continue to make our working methods more agile and prioritize our projects, thus remaining in step with the expectations of our customers.

Innovation also involves testing, with the help of start-ups, new mobility modes and the technologies required to make them a reality.

Lastly, I would like to thank RCI Bank and Services' employees for the performance achieved in 2018. It is thanks to their expertise, commitment, spirit of initiative and agility that we were able, in a particularly complex environment, to seize each and every opportunity to further improve our efficiency. I am counting on all the employees to maintain this level of performance, rigor and innovation to fuel the sales momentum of the Groupe Renault and Nissan brands in 2019.

GOVERNANCE[1]

EXECUTIVE COMMITTEE

François Guionnet
V.P., Territories and Performance

Alice Altemaire
V.P., Mobility Services and Innovation

Bruno Kintzinger
S.V.P., Chief Executive Officer

Marc Lagrené
V.P., Customers and Operations

Antoine Delautre
V.P., Accounting and Performance Control

BOARD OF **DIRECTORS**

Clotilde Delbos
Chairman of the Board of Directors

Farid Aractingi
Director

Gianluca De Ficchy
Director

(1) on 31/12/2018

Enrico Rossini
V.P., Sales and Marketing

Umberto Marini
V.P., Information Systems

Hélène Tavier
V.P., Human Resources
and Communication

Patrick Claude
Chief Risk
& Compliance Officer

Jean-Marc Saugier
V.P., Finance
and Group Treasury

Bruno Kintzinger
Director and Chief
Executive Officer

Thierry Koskas
Director

Isabelle Landrot
Director

Ursula L'Her
Director

ROBUST
BASES

THANKS TO THE EXCELLENT RESULTS ACHIEVED IN 2018, THE GROUP IS MORE FINANCIALLY SOLID THAN EVER.

RECORD
RESULTS **IN 2018**

RCI Bank and Services, strategic financial partner of the Alliance's distribution networks, posted outstanding results in 2018. Among the most notable: a significant increase in average performing assets, a penetration rate on registrations at a record level, and an increase in net banking income compared to last year.

Automotive financing and services: record penetration rates

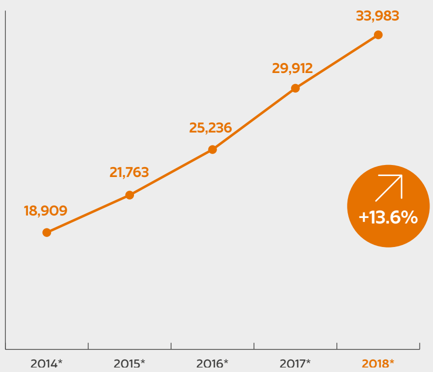
In 2018, RCI Bank and Services was able to capitalize on its effective integration into the commercial activities of each of the brands. The group achieved an overall penetration rate excluding EAC[1] of 42.9%, against 42.6% in 2017. New financing contracts increased by 1.6% to a record level of €20.9 billion. New vehicle financing was maintained at the same high level as in 2017. Used vehicle financing activity kept increasing, up 11.1% compared to 2017. Finally, another strategic pillar of the group, the Services business also experienced strong growth, up 11.1% compared to 2017. This represents 4.8 million contracts sold, which means 1.4 services for each vehicle registered by the Alliance brands within its scope of activity.

Substantial growth in average performing assets

In 2018, thanks to the group's excellent results, average performing assets (APA) stood at €44.4 billion, up 12.0% compared to 2017. €34 billion of this amount corresponds to the retail customer business, up 13.6%, which is a direct result of the strong commercial performance on new and used vehicles.

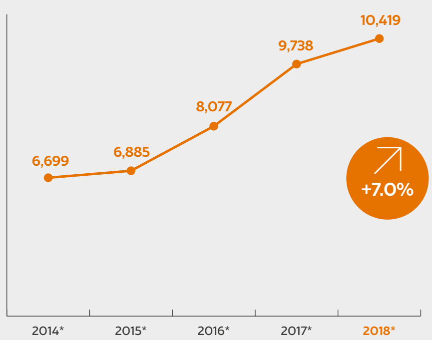
(1) EAC: Excluding Equity-Consolidated (Turkey, Russia, India)

Average earning assets (customers)[2]
(€ million)



(2) Average loans outstanding, including operational leasing business

Average earning assets (networks)[3]
(€ million)



(3) Average loans outstanding

Expert handling of financing within the Alliance's distribution networks

RCI Bank and Services, the financial partner of the Alliance's brands, makes a major contribution to the financial health of the Alliance's distribution networks with its financing of new and used vehicle stocks, spare parts, short-term cash requirements, restructuring loans, etc. It is active in 29 countries, helping to boost sales and maintain a healthy impetus for carmakers, dealers and the group as a whole.

In 2018, the commercial performance of the Alliance brands was mixed. Within our area of activity, the automotive market grew by 1.3%. Renault achieved growth of 2.2%, and Nissan was down 11.4%. While dealer outstandings across the networks remained stable (-0.6%) at end-December, average performing assets increased by 7%, mainly due to the implementation of the new European WLTP standards[1]. Dealer Networks financings increased by 3% on the Renault brand, and fell by 11% at Nissan.

Continued international growth

Launched in February 2018 in Russia, the financing of new vehicle stocks in Lada dealerships already involved one-third of the dealer network at end-December, with €43 million in outstandings, representing 11% of the Alliance's outstanding.

A further launch, this time in the Netherlands, saw the financing of Mitsubishi for a total of €23 million in outstanding loans, which accounts for 7% of dealer outstandings across the networks. Finally, we have set up the financing of the Nissan dealer network in Argentina, with outstandings of €19 million, representing 15% of dealer outstandings across the networks. Since November 2018 in Colombia, dealers have been closing their network financing contracts directly online thanks to a secure platform that instantly transmits the data to our administrative teams.

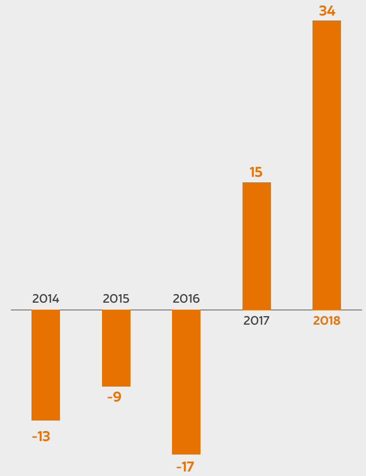
This year once again, RCI Bank and Services provided significant support to the Alliance's brands' dealer networks, exemplified by the establishment of new partnerships with the Lada and Mitsubishi brands.

Stéphane Vandemeulebrouck
Director of the Dealer Network Financing Department
Corporate

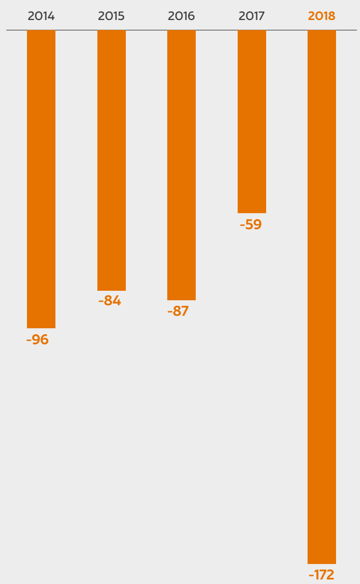
(1) Worldwide Harmonized Light Vehicles Test Procedures

RENAULT NISSAN MITSUBISHI

Dealer cost of risk
(€ million)



Customer cost of isk
(€ million)



Profitable growth

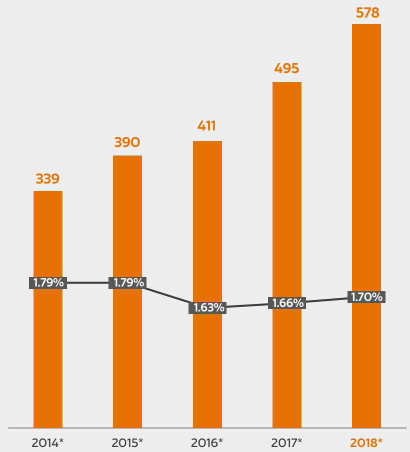
Net banking income amounted to €1.93 billion, up 18.6% compared with 2017. This increase is explained by the combined increase in financing and services activities. Net banking income as a percentage of APAs stood at 4.34% (against 4.11% in 2017).

In addition, against a background of strong commercial momentum and constant innovation, the group has been able to streamline its operating expenses, with €563 million in operating expenses in 2018 (or 1.27% of APA, an improvement of 5 basis points compared with 2017). The operating ratio stood at 29.2%, dropping for the first time below 30%.

In 2018, the standard for provisioning the cost of risk changed from IAS 39 to IFRS 9[2]. The total cost of risk stood at 0.33% of APA, a stable level after a low of 0.11% in 2017, confirming a robust underwriting and collection policy.

(2) Since the transition to IFRS9, the cost of risk includes an allowance to fund provisions for healthy loans and off-balance sheet items. The implementation of this standard in 2018 will result in an increase in the cost of risk, particularly due to the growth in outstandings.

Margin on services
(€ million and as a % of customer APA[3])



(3) Average performing assets.

PROFITABLE GROWTH WORLDWIDE

All the key indicators of RCI Bank and Services attained record levels in 2018, in an overall stable environment, proof that the group is pursuing its profitable growth momentum.

Passenger car and light commercial vehicle market		Financing penetration rate RCI Banque (%)	New vehicle contracts (thousands)	New financing contracts excl. cards and personal loans (€m)	Net assets at end of year[1] (€m)	of which customer net assets at end of year[1] (€m)	of which dealer net assets at end of year (€m)	Average performing assets (€m)	Net banking income (€m)	Pre-tax income (€m)
Europe	**2018**	**44.9%**	**1,350**	**17,698**	**41,832**	**31,668**	**10,164**	**39,860**	**1,621**	**1,015**
	2017	43.3%	1,318	17,061	39,028	28,785	10,243	35,105	1,314	854
o/w Germany	**2018**	**43.7%**	**185**	**2,785**	**7,472**	**6,097**	**1,375**	**7,098**	**247**	**175**
	2017	44.1%	184	2,739	6,808	5,333	1,475	6,265	212	145
o/w Spain	**2018**	**54.6%**	**166**	**2,002**	**4,464**	**3,637**	**827**	**4,253**	**143**	**98**
	2017	54.2%	161	1,870	4,207	3,279	928	3,627	115	83
o/w France	**2018**	**47.5%**	**472**	**6,030**	**14,324**	**10,664**	**3,660**	**13,491**	**419**	**209**
	2017	46.7%	455	5,815	13,315	9,606	3,709	11,736	336	196
o/w Italy	**2018**	**63.4%**	**203**	**2,871**	**5,821**	**4,450**	**1,371**	**5,391**	**148**	**102**
	2017	60.0%	196	2,769	5,264	3,960	1,304	4,608	111	66
o/w UK	**2018**	**33.6%**	**123**	**1,804**	**4,680**	**3,780**	**900**	**4,963**	**151**	**85**
	2017	29.1%	129	1,803	4,787	3,897	890	4,651	100	57
o/w other countries	**2018**	**31.9%**	**201**	**2,206**	**5,071**	**3,040**	**2,031**	**4,665**	**512**	**345**
	2017	31.1%	193	2,065	4,647	2,710	1,937	4,218	440	308
Asia-Pacific (South Korea)	**2018**	**56.8%**	**65**	**950**	**1,578**	**1,565**	**13**	**1,506**	**67**	**40**
	2017	57.4%	72	1,095	1,561	1,541	20	1,469	63	43
Americas	**2018**	**35.0%**	**202**	**1,464**	**2,769**	**2,182**	**587**	**2,407**	**201**	**118**
	2017	38.8%	190	1,644	2,637	2,049	588	2,543	212	141
o/w Argentina	**2018**	**23.1%**	**38**	**143**	**314**	**185**	**129**	**268**	**44**	**19**
	2017	35.9%	54	388	499	344	155	435	59	43
o/w Brazil	**2018**	**38.3%**	**139**	**1,103**	**2,112**	**1,699**	**413**	**1,838**	**133**	**86**
	2017	37.8%	111	1,041	1,880	1,498	382	1,908	139	94
o/w Colombia	**2018**	**47.5%**	**25**	**217**	**343**	**298**	**45**	**301**	**24**	**12**
	2017	51.6%	25	215	258	207	51	200	14	4
Africa - Middle-East - India	**2018**	**27.8%**	**56**	**286**	**493**	**383**	**110**	**428**	**25**	**15**
	2017	21.8%	53	253	416	331	85	369	23	15
Eurasia	**2018**	**27.0%**	**127**	**523**	**258**	**245**	**13**	**201**	**17**	**26**
	2017	26.7%	138	552	191	179	12	164	15	24
Total RCI Banque group	**2018**	**40.7%**	**1,799**	**20,922**	**46,930**	**36,043**	**10,887**	**44,402**	**1,930**	**1,214**
	2017	**39.6%**	**1,771**	**20,604**	**43,833**	**32,885**	**10,948**	**39,649**	**1,628**	**1,077**

(1) Net assets at end: net total outstandings + operational lease transactions net of depreciation and impairment.
Sales activity indicators (penetration rate, new contracts, new financing) include companies accounted for under the equity method.

EUROPE

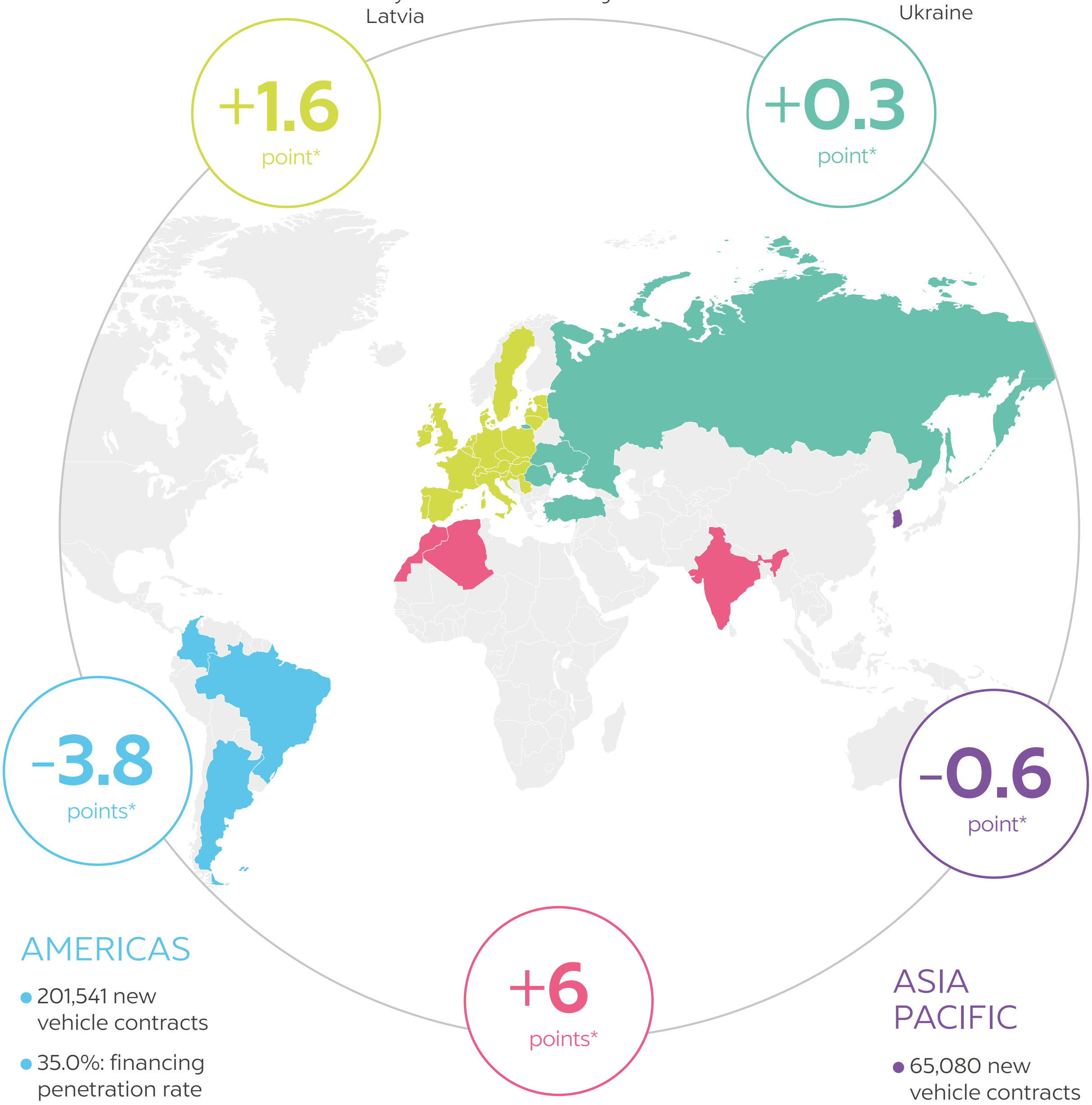
- 1,349,833 new vehicle contracts
- 44.9%: financing penetration rate
- €41,832m: net assets at year-end

Austria
Belgium
Croatia
Czech Republic
Denmark
Estonia
France
Germany
Hungary
Ireland
Italy
Latvia
Lithuania
Luxembourg
Netherlands
Poland
Portugal
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
United Kingdom

EURASIA

- 126,782 new vehicle contracts
- 27.0%: financing penetration rate
- €258m: net assets at year-end

Romania
Russia
Turkey
Ukraine



AMERICAS

- 201,541 new vehicle contracts
- 35.0%: financing penetration rate
- €2,769m: net assets at year-end

Argentina
Brazil
Colombia

AFRICA MIDDLE-EAST-INDIA

- 55,665 new vehicle contracts
- 27.8%: financing penetration rate
- €493m: net assets at year-end

Algeria
India
Morocco

ASIA PACIFIC

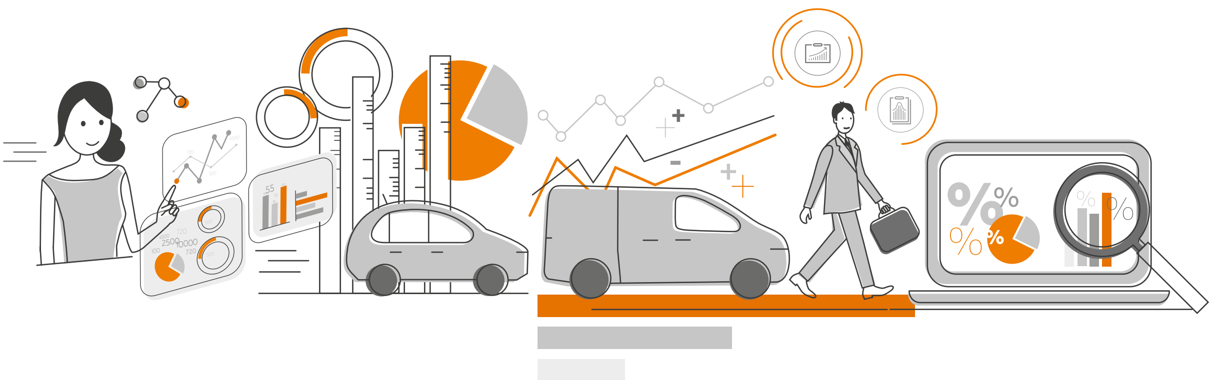
- 65,080 new vehicle contracts
- 56.8%: financing penetration rate
- €1,578m: net assets at year-end

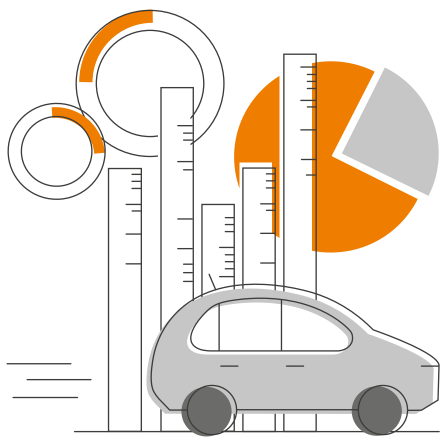
South Korea

*Financing penetration rate 2017 / 2018

CONTENTS

FINANCIAL REPORTS





FINANCIAL POLICY

In 2018 the European Central Bank maintained its key interest rate unchanged and announced it should be kept at that level at least until the summer of 2019. At the same time, the ECB gradually reduced its asset purchase program, down from €30 billion per month in the first part of the year to €15 billion from October, and ended it in December. From 2019, it will reinvest proceeds from maturing securities to maintain favorable liquidity conditions.

In the United States, Jerome Powell, the new Chairman of the Federal Reserve, raised its key interest rates four times, thereby taking the Fed Funds' target range to 2.25-2.50%. In the United Kingdom, the Bank of England, which in November 2017 initiated its first monetary tightening in a decade, raised its official interest rate to 0.75% in July.

The anticipated global economic slowdown and the end of the central banks' accommodating monetary policies gradually altered the macro-economic climate that prevailed at the beginning of the year. The trade war between the United States and China, the United Kingdom's breakaway from the European Union and the budgetary negotiations between Italy and Brussels also contributed to heightened volatility. Against this backdrop the markets reverted to risk aversion mode in the second half of the year, evidenced by a fall in equities markets[1] and widening credit spreads[2].

After peaking at 0.50% in February, the five-year swap rate ended down 12 basis points at 0.20%.

RCI Banque issued the equivalent of €2.9 billion in public bond format, making a number of successive issues. The first was a five-year floating rate issue for €750 million, the second a dual tranche issue for €1.3 billion (three-year fixed rate €750 million, seven-year floating rate €550 million), and the third an eight-year fixed rate bond for €750 million. At the same time, the company issued a five-year fixed rate CHF125 million bond, a transaction that enabled it to both diversify its investor base and fund assets in that currency.

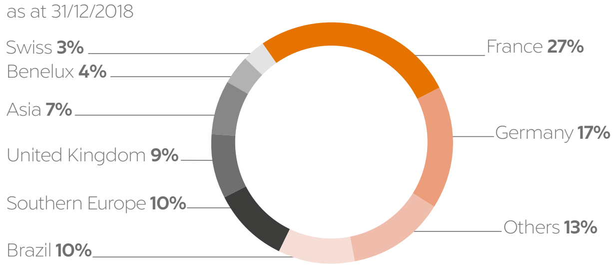
Three private format placements, one two-year and one three-year, were also made for a total of €600 million.

On the secured funding segment, RCI Banque sold a public securitization backed by auto loans in France for €722.8 million, split between €700 million of senior securities and €22.8 million of subordinated securities.

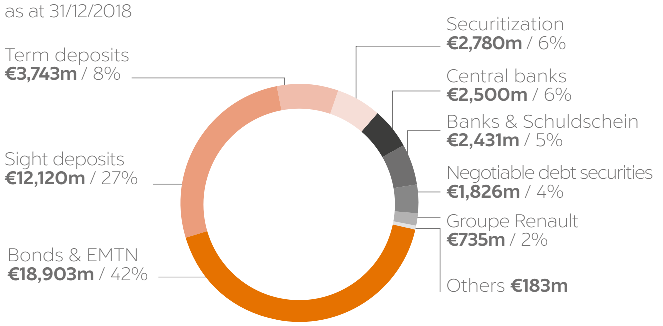
[1] Euro Stoxx 50 down 15%.

[2] Iboxx EUR Non-Financial up 56 bp, Iboxx Auto up 95 bp.

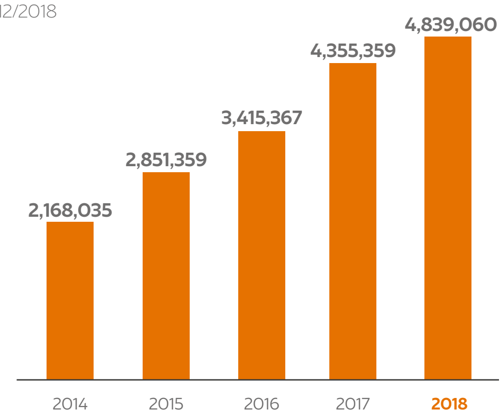
Geographical breakdown of new resources with a maturity of one year or more
(excluding deposits and TLTRO)
as at 31/12/2018



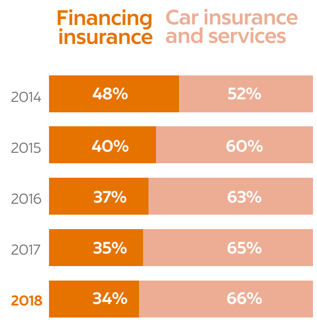
Structure of total debt
as at 31/12/2018



Service contracts (in number)
as at 31/12/2018



Service mix (as a %)
as at 31/12/2018



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.

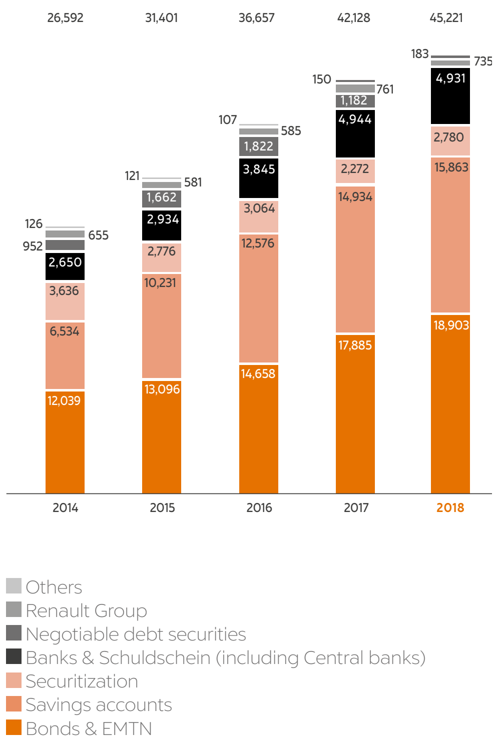
In addition, the group's entities in Brazil, South Korea, Morocco, Argentina and for the first time Columbia also tapped their domestic bond markets.

Retail customer deposits have increased by €0.9 billion since December 2017 and at 31 December 2018 totaled €15.9 billion, representing 34% of net assets at the end of December, 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, €3.8 billion of assets eligible as collateral in ECB monetary policy operations, €2.2 billion of high quality liquid assets (HQLA) and €0.4 billion of financial assets, enable RCI Banque to maintain the financing granted to its customers for almost 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.

Changes in the structure of total debt (in million euros)
as at 31/12/2018



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

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

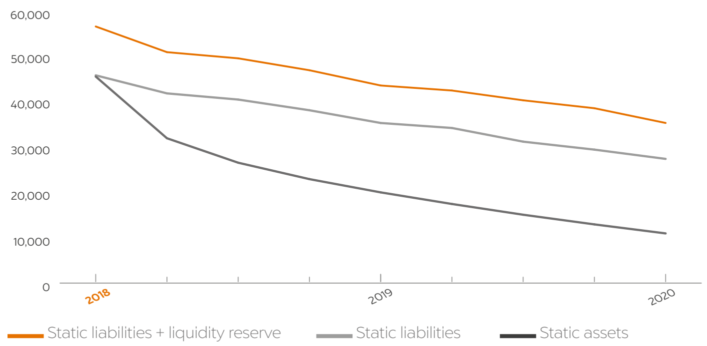
At 31 December 2018, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

+€3.4 million in EUR,
+€1.4 million in MAD,
+€0.8 million in GBP,
+€0.3 million in KRW,
-€0.4 million in BRL,
-€0.4 million in CZK,
-€0.7 million in CHF.

The absolute sensitivity values in each currency totaled €7.8 million.

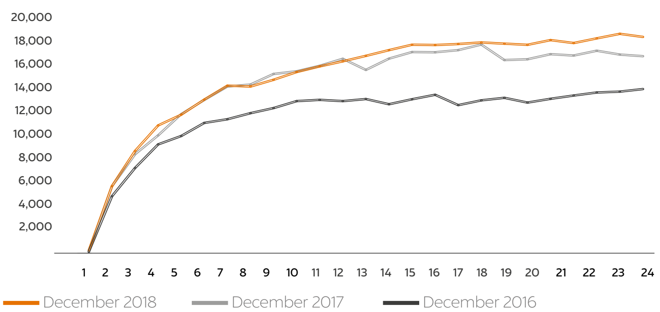
The RCI Banque group's consolidated foreign exchange position totaled €9.2 million.

Static liquidity position(3) (in million euros)
as at 31/12/2018



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

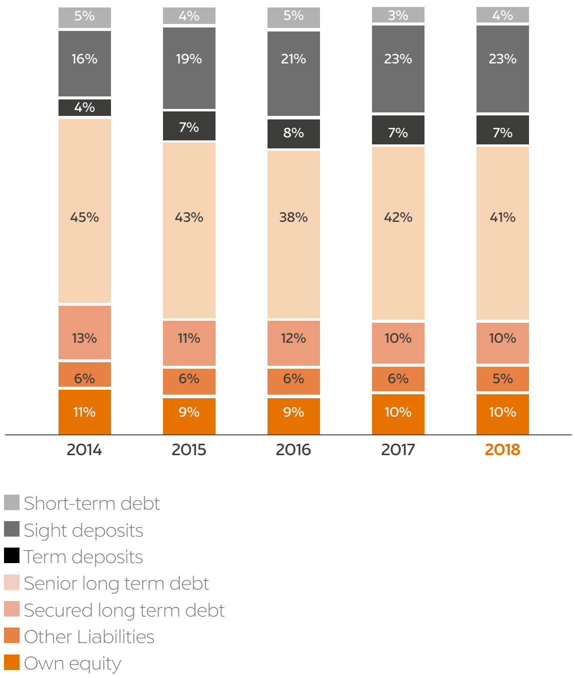
Static liquidity gap(3) (in million euros)
as at 31/12/2018



(3) Scope: Europe

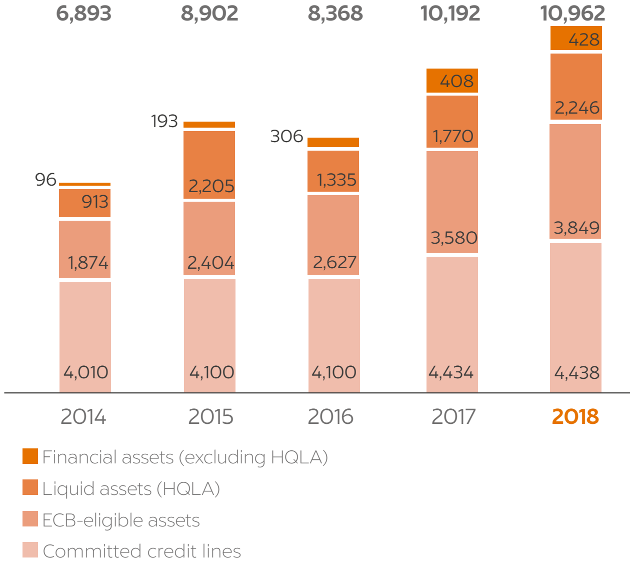
Breakdown of liabilities

as at 31/12/2018



Liquidity reserve[1] (in millions euros)

as at 31/12/2018



[1] 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).

Ratings as at 31/12/2018 are presented in the table below:

Issuer	Instrument	Market	Amount	S&P	Moody's	Others
RCI Banque S.A.	Euro CP Program	Euro	€2,000m	**A-2** (stable outlook)[5]	**P2**	**R&I: A-1** (positive outlook)
RCI Banque S.A.	Euro MTN Program	Euro	€23,000m	**BBB** (stable outlook)[5]	**Baa1** (positive outlook)[6]	**R&I: A-** (positive outlook)
RCI Banque S.A.	NEU CP[2] Program	French	€4,500m	**A-2** (stable outlook)[5]	**P2**	
RCI Banque S.A.	NEU MTN[3] Program	French	€2,000m	**BBB** (stable outlook)[5]	**Baa1** (positive outlook)[6]	
Diac S.A.	NEU CP[2] Program	French	€1,000m	**A-2** (stable outlook)[5]		
Diac S.A.	NEU MTN[3] Program	French	€1,500m	**BBB** (stable outlook)[5]		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000m		**Aa1.ar** (stable outlook)	Fix Scr: **AA (arg)** (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,520bn[4]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,414m[4]		**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	COP305bn[4]	**AAA.co**		

[2] Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.
[3] Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.
[4] Outstandings.
[5] Negative outlook since 26/02/2019.
[6] Stable outlook since 14/03/2019.

RISKS
PILLAR III

STATEMENT ON INFORMATION PUBLISHED IN RESPECT OF PILLAR III

Senior management and the Board of Directors are responsible for implementing and maintaining an effective internal control organization overseeing the company's publications, including those issued in respect of the Pillar III report.

In that regard, we confirm, after taking all reasonable measures to that end, that the information reported at 31 December 2018 in respect of the RCI Banque Pillar III report has been subject to the same degree of internal control and same internal control procedures as other information provided as regards the financial report.

Bruno Kintzinger

Chief Executive Officer

Clotilde Delbos

Chairman of the Board of Directors

INTRODUCTION

The following information concerns RCI Banque's risks and is provided to meet the disclosure requirements of Pillar III of the Basel Agreements, transposed into European law by means of Regulation (EU) 2013/575 (or CRR) and Directive 2013/36/ EU (or CRD IV).

It is published on a consolidated basis (Article 13 of the CRR) and meets the requirements set out in part 8 of the CRR (Articles 431 and seq.).

RCI Banque's Pillar III report is published annually as a whole, but certain important or faster changing items are disclosed half-yearly, or only on a transitional basis (Article 492 of the CRR). No material, proprietary or confidential information is omitted (Article 432 of the CRR).

Publication of the risk report is the responsibility of RCI Banque's Company Chief Risk and Compliance Officer. The information contained in this report has been prepared in accordance with the Pillar III disclosure procedure validated by RCI Banque's Regulatory Committee.

KEY FIGURES

1 - KEY FIGURES AND ROA

Prudential Ratios	
CET1 Phased-in Solvency Ratio	15.46%
Phased-in Leverage Ratio	8.89%
LCR - Arithmetic Average of the past three months	277%
ROA - Return on assets[1]	1.6%

(1) Return on assets calculated by dividing net profit by the balance sheet total (CRD IV, Article 90).

2 - OWN FUNDS REQUIREMENTS BY TYPE OF RISK

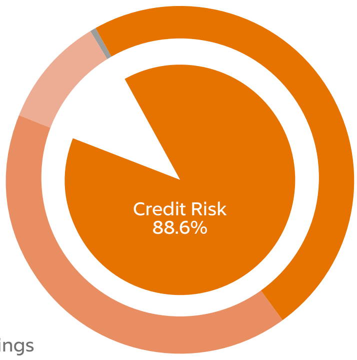
Operational Risk 11%

Credit Valuation Adjustment Risk 0.4%

Market Risk 0.0%

Credit Risk - Standard Approach 40.1%

Credit Risk - Internal Ratings Based Approach 48.5%



3 - EXPOSURE BY EXPOSURE CLASS

Retail 50.8%

Retail SME 7.0%

Corporates 20.6%

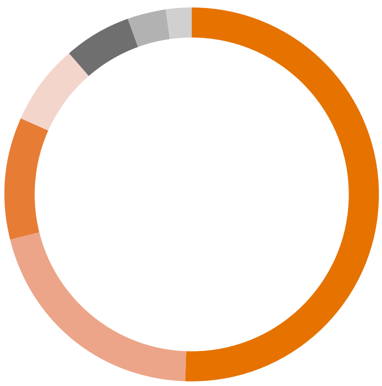
Corporates SME 10.4%

Central Governments or Central Banks 5.9%

Institutions 2.1%

Other non-credit obligation 3.3%

Equity 0.0%



I - GOVERNANCE AND ORGANIZATION PRINCIPLES OF RISK MANAGEMENT

A - RISK GOVERNANCE POLICY- RISK APPETITE FRAMEWORK

RISK GOVERNANCE POLICY: KEY PRINCIPLES

The capacity to control actual or potential risks in its day-to-day activities, share the right information, take adequate measures in good time and promote responsible conduct at all levels of the company are key performance factors for the RCI group, and the pillars of its risk management mechanism.

Therefore, in accordance with the regulatory requirements (CRD IV/CRR), the RCI group's Risk Governance policy, adopted by General Management and the Board of Directors of RCI Bank and Services, is built around the following principles:

- Identifying the main risks that RCI Banque has to address, in light of its "business model", its strategy and the environment in which it operates;
- The Board of Directors determining and formally defining risk appetite and conscious of it when setting strategic and commercial objectives;
- Clarifying the roles of all parties involved in risk management and raising awareness amongst all managers about due compliance with Risk Governance Policy and with limits;
- Improving vertical and horizontal communication channels and reporting lines to ensure alerts escalation to the right level and timely treatment of any overruns of set risk limits;
- Risks are controlled by functions independent from operational functions.

The Risk Governance Policy applies to all consolidated entities in the RCI Group and is deployed at all levels of the organization, in each business line, for all risks and processes.

The list of risks identified in the group's mapping undergoes regular review (at least once a year), and any modifications thereto are subject to a prior consistency check with regard to the ICAAP/ILAAP standards. For its part, the risk appetite framework may be redefined and the control system strengthened whenever the risks of occurrence or seriousness of a risk appear greater.

Risk management guidelines are taken into account when drawing up each business plan and entail an examination of the related risks. This analysis is orchestrated by the Chief Risk and Compliance Officer and forms an integral part of the plan submitted to the Board of Directors' Strategic Committee for approval.

The governing bodies (Executive Committee, Board of Directors' Risk Committee) ensure consistency and balance between:

- Business development strategy and commercial objectives, and
- Risk strategy and associated risk guidelines.

RCI Banque's Board of Directors confirms that the risk management systems in place are adequate to preserve the company's liquidity and solvency with regard to its strategy and its risk profile.

Risk Appetite Framework

The "RAF" ("Risk Appetite Framework") defined by the Board of Directors is the group's guiding line of conduct in the field of risk strategy, which lays down the principles and limits of RCI Banque's strategy to be followed within the company.

As part of this framework, "Risk Appetite" is defined for RCI Banque as the aggregate level and types of risks that the Board of Directors is willing to assume, in line with the company's risk capacity to achieve its strategic and commercial objectives.

At operational level, risk appetite is reflected by relevant limits and alert thresholds. The indicators, which may be qualitative and/or quantitative, used to set these limits, are in place for the company's major risks, as is the process of alert escalation up to the Board of Directors.

The RCI Board of Directors' Risk Committee ascertains the smooth running of this process, which is subject to a general review at least once a year. In parallel, the most critical risks are presented quarterly to the Board of Directors' Risk Committee.

B - ORGANIZATION OF RISK CONTROL

The overall risk monitoring process at RCI is managed at three levels by distinct functions:

- **1st level controls** is done by:

- the operational staff in charge of day-to-day risk management within their own area of responsibility. They decide on and are responsible for risk-taking within the operations they conduct to achieve goals assigned to them. They exercise such responsibility in compliance with the risk management rules and limits set by the "Corporate" risk steering functions;

- the corporate functional departments in charge of risk definition, rules, management methods, measurement and monitoring at the corporate level. Each department, in its area of expertise, manages and oversees the risk management system via guidelines and country objectives. Risk is monitored by periodic dedicated committees in both the subsidiaries and centrally. These departments rely on local representatives for risk measurement and exposure monitoring and ensure that limits are respected at the group level.

- **2nd level controls comprises:**

  - the Internal Control department, who reports to the Chief Risk and Compliance Officer, is responsible for the permanent control of organizational compliance and for directing the general internal control system for the entire Group. In terms of internal control supervision in the RCI Banque group subsidiaries, the Director of the Internal Control department is supported by Internal Controllers who report to him/her functionally. The Internal Controllers report hierarchically to the CEO of the subsidiary. Similarly, the Director of the Internal Control department is supported by employees within the central functions to manage the internal control supervision system within the RCI Banque group departments;

  - the Risk and Banking Regulation department, who reports to the chief Risk and Compliance Officer, ensures the deployment of the Risk Governance Policy within the Group and ensures its consistency with the Risk Appetite Framework (RAF) defined by the Board of Directors; ensures the reliability of risk measurement indicators, the completeness of risk management systems for each risk and the effective exercise of such management; controls, more specifically, the effectiveness of the reporting and alert feedback channels from the subsidiaries to the corporate departments and prepares a summary report on the risks for the management bodies and the Risks Committee of the Board of Directors, as appropriate; verifies the adequacy of the corrective measures developed in the event of failures and their effective implementation by the management functions; plays a central role in monitoring the group's compliance with applicable prudential regulations.

- **3rd level controls** refers to the Internal Audit and Periodic Control function, which aims to provide RCI Banque's Board of Directors and General Management with an overview of the effective level of business operations' control and of the risk steering and management performed by the first two levels.

These three risk controlling lines report to the following committees:

- The Board of Directors and its specialist committees, including the Risk Committee and the Audit and Accounting Committee;
- The Executive Committee;
- The operational risk management committees within the company's functions (at local and central level).

The content of the information reported to the Board of Directors' Risk Committee is decided upon during meetings of the latter committee on the basis of proposals submitted by the Executive Board member concerned and the Chief Risk and Compliance Officer. Exposure to each risk is measured at a frequency appropriate (from daily for risks such as the interest rate risk and monitoring of customer deposits, to monthly in general cases). These measurements are made at the individual entity level and then consolidated. The Risk and Banking Regulation department centralizes the production of the quarterly dashboard delivered to the Board of Directors' Risk Committee.

The risk management system covers all the macro processes of the RCI Banque group and includes the following tools:

- the list of major risks for the RCI Banque group for which a coordinator, a level of appetite, alert thresholds and limits (Risk Appetite Framework, or RAF) are defined. This list and the Risk Appetite Framework are updated at least once a year in line with the RCI Banque group's business model and strategy;
- the operational risk mapping deployed in all of the RCI Banque group's consolidated subsidiaries identifies operating risks and the ways in which they are controlled. This operational risk mapping is updated regularly by the functional departments and assessed annually by the process owners;
- the incident collection database helps to identify malfunctions that correspond to predefined criteria and enables the corrective and preventive measures required to control risks to be put in place. This database is used for internal and regulatory reporting purposes. The system sets thresholds for immediately communicating incidents to Groupe Renault's Executive Committee, Board of Directors and Ethics and Compliance Committee (CEC), the French Prudential Supervision and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR) and the European Central Bank.

THE GOVERNING BODIES

The board of directors

Board of Directors members, like the executive directors, are appointed on the basis of their reputation, knowledge of the company's activity and lines of business, technical and general skills, and experience, acquired for some of them through their duties in shareholding companies.

In addition, they collectively have the knowledge, expertise and experience to understand all the company's activities, including the main risks to which it is exposed, the sales finance sector, the Renault-Nissan-Mitsubishi Alliance and the automotive industry.

They each devote the time and attention necessary to perform their duties, in accordance with current regulations limiting the number of appointments held.

The principles concerning the selection and appointment of directors, de facto managers and holders of key positions in the company are described in RCI Banque's Management Suitability Policy, approved by the Board of Directors on 8 February 2019.

The policy provides in particular a distinct preselection process according to position, a succession plan and an assessment by the Appointments Committee based on specified suitability criteria and taking into consideration a diversity policy for the Board of Directors.

I. 1. Positions held by the members of RCI Banque's Board of Directors

Board of Directors at 31 December 2018

	Position held in RCI Banque S.A.	Number of other positions held inside Renault Group	Number of other positions held outside Renault Group
Clotilde DELBOS	Chairman of the Board	2 non-executive positions	1 non-executive position
Farid ARACTINGI	Director of the Board	2 non-executive positions	2 non-executive positions
Gianluca DE FICCHY	Director of the Board	1 non-executive position	-
Bruno KINTZINGER	Chief Executive Officer and Director of the Board	4 non-executive positions	-
Thierry KOSKAS	Director of the Board	2 non-executive positions	-
Isabelle LANDROT	Director of the Board	1 non-executive position	-
Ursula L'HER	Director of the Board	-	-

Other member of the management body in its executive function at 31 December 2018

Patrick CLAUDE	Deputy Chief Executive Officer and Chief Risk Officer	10 non-executive positions

At 31 December 2018, RCI Banque's Board of Directors had seven members, of which three females.

On recommendation by the Nominations Committee, the Board of Directors has set a diversity policy consisting in particular of maintaining a minimum proportion of 40% of directors of each sex.

As part of its oversight remit, in order to guarantee effective and prudential management of the establishment, the Board of Directors determines RCI's risk profile in line with set strategic objectives, gives executive directors and the Executive Committee guidance on risk management for implementation/adaptation within the group, and supervises implementation thereof.

To that end, RCI Banque's Board of Directors relies on specialist committees:

• The Risk Committee

The Risk Committee meets four times a year. Its role includes examining the risk map and signing off on the definition of risks, and analyzing and authorizing RCI group risk limits in line with the Board's risk appetite and with a view to assisting the Board in terms of oversight. It is also responsible for analyzing action plans in the event that limits or notification thresholds are exceeded, and for examining pricing systems for products and services. In parallel with the remuneration Committee, it also has the task of examining whether the remuneration policy is compatible with the Company's risk exposure. So that it can advise the Board of Directors, this Committee is also responsible for the analysis and approval of the internal control report, the ICAAP and ILAAP systems, the recovery plan, and significant aspects of the rating and estimating processes derived from the Company's internal credit risk models.

• The Accounts and Audit Committee

The Accounts and Audit Committee meets three times a year. It is responsible for preparing, presenting and monitoring the financial statements, overseeing the statutory audit of the separate and consolidated financial statements, monitoring the independence of the statutory auditors and the definition of their non-auditing services, recommending the appointment of the statutory auditors and monitoring their rotation, verifying the effectiveness of internal control and risk management systems, reviewing the audit plan, analyzing the audits carried out and reviewing investments in unconsolidated companies.

• The Remunerations Committee

The Remunerations Committee meets at least twice a year. Its main task is the annual review of the remuneration policy of management body and Chief Risk and Compliance Officer. It also prepares decisions for the Board of Directors regarding the remuneration of individuals with an impact on risk and risk management.

• The Nominations Committee

The Nominations Committee meets at least twice a year. Its main task is to recommend members for the Board of Directors. It is also in charge of the annual review of the Board of Directors, including its structure, membership, gender diversity and breadth of directors' knowledge, skills and experience. It submits nominations to the Board for Executive Directors, the Chief Executive Officer, Deputy Chief Executive Officers and Chief Risk and Compliance Officer;

• The Strategic Committee

The Strategic Committee meets at least four times a year. Its role is to analyze the roll-out of the strategic plan, as well as reviewing and signing off on various strategic projects.

SENIOR MANAGEMENT

• Managerial systems

In accordance with the CRD IV application order and 3 November decree on internal control, the duties of the Chairman and Chief Executive Officer are separate.

At 31 December 2018, the company's Senior Management and de facto managers (within the meaning of Article L.511-13 of France's Monetary and Financial Code) are assumed under the responsibility of the Chief Executive Officer, Mr. Bruno Kintzinger, and Deputy Chief Executive Officer, Chief Risk and Compliance Officer, Mr. Patrick Claude.

The Chief Executive Officer holds the broadest powers to act under any circumstances on the company's behalf, within the limits of the corporate object and conditional on those powers that the law expressly attributes to shareholders' meetings and the Board of Directors. He is authorized to grant sub delegations or substitutions of powers for one or more specific transactions or categories of transaction.

The Deputy Chief Executive Officer holds, as regards third parties, the same powers as the Chief Executive Officer.

• The executive committee

RCI Banque's Executive Committee contributes to the Group's direction of policy and strategy. It is the reference body which approve action plans when alert thresholds or limits are exceeded. It is also the body that makes trade-off decisions in case when risk reduction measures affect other company objectives. The Executive Committee oversees the activity and risks in accordance with the guidelines ("Risk Appetite Framework") laid down by the Board of Directors via the Risk Committee.

In addition, Senior Management relies in particular on the following committees to manage the Group's risk control:

- the Financial Committee which reviews the following themes: economic analyses and forecasts, cost of the resource, liquidity risk, rate risk and counterparty risk on the Group's various perimeters and subsidiaries. Changes in RCI Holding's balance sheet and profit & loss account are also analyzed to make necessary adjustments to intra-Group transfer prices,
- the Credit Committee which validates commitments beyond the authority of subsidiaries and of the Group's Head of commitments,
- the Performance Committee for "Retail and Wholesale Risks" aspects. It assesses the quality of customer production and subsidiaries' performance as regards recovery and targets. On dealer network activity, it reviews changes in outstandings and stock rotation indicators as well as changes in the classification of dealerships and outstandings,
- the Regulatory Committee which reviews major changes in regulations, prudential oversight and action plans,

and validates internal rating models and the associated management system,

- the Internal Control, Operational Risks and Compliance Committee manages the whole of the Group's internal control system, checks its quality and related mechanisms and adapts resources, systems and procedures. It details, runs and monitors the principles of the operational risk management policy and the principles of the compliance monitoring system. It monitors changes in action plans. An Internal Control, Operational Risks and Compliance Committee operates in RCI Banque group subsidiaries.
- the New Product Committee which validates new products before they are put on the market, ensuring in particular that new products comply with the Group's commercial policy, the Group's budgetary requirements, legislation applicable locally, and the Group's risk governance.

At local level, the dedicated committees control the operational management of risks in line with the defined framework.

C - RISK PROFILE - RISK APPETITE STATEMENT

The risk profile is determined on the basis of all risks inherent in RCI Banque's activities in Europe and worldwide. These are identified in the group's risk mapping and are regularly assessed.

The risk profile is taken into account when working out and implementing rules on managing the said risks, more particularly to steer decision-making on risks in line with the Board of Directors' risk appetite level and RCI group strategy.

The risk profile is monitored through indicators and limits tracked once a quarter in the risk dashboard presented to the Board of Directors' Risk Committee. In the event that the set limits are overrun, a specific action plan is put in place. In more exceptional cases, and particularly under the strategic plan, adjustments may be made to the risk appetite framework, albeit without calling into question RCI's overall risk profile.

RCI Banque aims to support the business development of the Renault-Nissan-Mitsubishi Alliance's car brands, in particular through its key role in financing dealership networks and in developing customer loyalty. This is reflected in:

- Maintaining high levels of profitability and solvency, which is the guarantee of the reliability of this commitment vis-à-vis the shareholder;
- A refinancing policy based on diversifying funding sources and on building up adequate liquidity reserves;
- Developing multichannel financing and services offers that ensure a continuing relationship with customers, to meet their expectations and that enhance the group's public image.

A responsible and measured approach is in the center of a risk-taking decision process at RCI. The main risks are subject to a strict risk steering framework, in line with the risk appetite defined by the Board of Directors:

- The **solvency risk** is controlled with a view to maintaining a necessary security margin with regard to prudential requirements and an "investment grade" rating level by credit rating agencies;

- The **liquidity risk** is assessed and controlled daily. It is managed in such a way as to ensure the company's continuity of business for a minimum period in various stress scenarios, including assumptions of financial market closure and mass withdrawals of deposits. A limit of 6 months' business continuity has been set for centrally funded subsidiaries (3 months for locally funded subsidiaries), with the associated alert thresholds set considerably below such levels.

- the **credit risk:**

a) the ***retail and corporate customer*** risk is monitored from both the portfolio and new business perspectives. Its management is based on tracking the cost of risk in relation to set targets;

b) the ***wholesale*** risk is controlled by monitoring the financial situation of dealers, thus contributing to the control of credit risk on outstandings, while ensuring the sustainability of dealer networks;

For both these risks, the target is to keep the overall cost of risk at a consolidated level below or equal to 1% of outstandings.

- the **interest-rate risk** is monitored daily and controlled by a sensitivity limit of €50m if interest rate variation exceeds 100 basis points (parallel shift of the yield curve) or a rotation of more than 50 basis points around 2 years;

- **Operational risks** including risks of non-compliance (legal, tax, AML-CFT, fraud, reputational, IT, personal data protection, etc.) are covered by a relevant risk mapping, specific procedures and controls, and are subject to monitoring by dedicated committees. Reporting at Board of Directors' Risk Committee and/or Executive Board level ensures compliance with alert thresholds and limits, set in order to minimize any risk of penalties or harm to the company's image and reputation.

D - STRESS TESTS

Stress tests or what-if analyses are a favored measurement of the resilience of the group, its activities and portfolios, and form an integral part of its risk management. Stress tests are based on hypothetical, harsh yet plausible economic scenarios.

The stress tests process includes:

- An overall annual stress exercise as part of the ICAAP process (Internal Capital Adequacy Assessment Process).

It covers all of the group's activities and in 2018 was based on four main scenarios: a central scenario based on the budget trajectory, a macro-economic stress scenario, and two internal stress scenarios to which a combined scenario was added. Projections of potential losses in respect of the establishment's risks are estimated over a three-year period;

- Liquidity stress tests ensure that the time frame in which the group can continue to operate is assured in a stressed market environment.
- Stress tests capturing the group's sensitivity to interest rate and foreign exchange risks. Interest rate risk is measured with the aid of yield curve translation and distortion scenarios.
- Stress tests designed by the EBA (European Banking Authority) or conducted within the supervisory framework of the ECB (European Central Bank) on the basis of a methodology common to the participating banks.

E - REMUNERATION POLICY

The remuneration policy for individuals whose professional activities have a significant impact on RCI Banque's risk profile is presented to and approved by the Remuneration Committee and the Board of Directors.

The Remuneration Committee met four times in 2018. As at 31 December 2018, the members of the Remuneration Committee were C. Delbos, T. Koskas and I. Landrot.

The fixed component of pay reflects the level of responsibility of the position held.

The variable component of the pay is intended to reward the performance achieved. This variable component depends heavily on the consolidated financial and commercial results achieved by the RCI Banque group.

The variable component of remuneration is capped at a percentage of the fixed salary. This percentage is always lower than 100%, so RCI Banque complies with regulations on variable remuneration.

The criteria used to measure performance are the group's consolidated operating margin, the sales margin on new financing and services contracts, measured per country and on a consolidated basis, the operating ratio and the individual contribution assessed by the employee's line manager. The operating margin, which is affected by the risks to which RCI Banque is exposed, is a key factor in the variable pay system. If the targeted operating margin is not achieved, the ceiling on the variable pay distributed is materially reduced.

If on the other hand this target is achieved, the sales performance is factored in. The above parameters have been selected to a/ reward achievement of sales targets, and b/ to factor in the financial result, which incorporates all costs borne by the company and in particular those related to risks taken.

In 2018, 84 individuals had significant impact on the risk profile. Their fixed pay for 2018 came to a total of 9,991,889 euros. Their variable pay for 2018 totaled 2,457,470 euros, representing 24.60% of total fixed salary, and to 19.74% of aggregate fixed and variable salaries.

RCI Banque's activities relate exclusively to car finance and services. It is a field of business in which sub-fields of business have no significant differences. In addition, remuneration policy is the same across the whole RCI Banque perimeter. Consequently, it is not necessary to break down these amounts per field of business.

No employee receives an annual salary of more than 1,000,000 euros.

In 2018, the total remuneration paid by the RCI Banque group to members of the Executive Committee amounted to 2,752,794 euros. The fixed part of that remuneration amounted to 2,023,689 euros, while the variable part amounted to 729,105 euros. Members of RCI Banque's Board of Directors do not receive remuneration for their duties.

RCI Banque does not award shares or stock options.

Part of the variable pay awarded to individuals whose professional activities have a significant impact on RCI Banque's risk profile is deferred over a three-year period beyond the first payment, which is itself made at the end of the baseline financial year.

This policy of spreading the variable component of pay over a certain number of years was introduced by RCI Banque from the 2016 financial year onwards, with its first implementation at the end of that financial year, in early 2017.

Pursuant to Directive 2013/36/EU and in view of the principle of proportionality, RCI Banque has decided that:

- The policy of spreading variable remuneration over a certain number of years shall only apply to beneficiaries eligible for variable remuneration of more than 50,000 euros.
- Depending on the amount of variable remuneration for which the beneficiary is eligible, the following rules shall apply:
  - From 50,001 euros to 83,300 euros: the amount of variable remuneration over and above 50,000 euros to which the beneficiary is entitled shall be deferred over a three-year period.
  - Over 83,300 euros: 40% of the variable remuneration shall be deferred over a three-year period.
- One third of the deferred amount may be released in each of the three years in that period provided that RCI Banque has achieved a certain level of Pre-Tax Income, expressed as a percentage of average performing outstandings.
- Likewise, for the 2016 and 2017 financial years, the amount paid up over each of the 3 years of deferred is paid 50%

in cash and 50% by payment of funds into a Subordinate Term Account.

• On the other hand, as from the 2018 financial year, the amount paid up over each of the 3 years of deferred will be paid in full by the payment of funds into a Subordinate Term Account. This adjustment of the arrangement, intended to simplify it, was enacted by the Remunerations Committee at its meeting on 25 June 2018.

In the event that a serious event affecting RCI Banque's solvency occurs, in accordance with current legislation and regulations, the beneficiary may see the value of the funds allocated to the Subordinated Term Account reduced to zero and the related remuneration definitively lost. In such an event therefore, withdrawal of funds at the end of the retention period is impossible, and no remuneration will be payable.

The Subordinated Term Account shall be fully deleted and its repayment value reduced to zero should any of the following events occur:

- If the CET1 solvency ratio, defined according to the terms of Article 92 (1) (a) of the CRR, is less than 7%;
- If the banking regulator starts resolution proceedings against RCI Banque.

Lastly, if the beneficiary is the subject of an investigation and/or disciplinary proceedings into a potential breach or action or misconduct that could have impacted directly or indirectly on RCI Banque's Pre-Tax Income or Operating Margin, or that might indicate a lack of fitness or propriety, allocation of the deferred amount shall be suspended until such time as the findings of the investigation or disciplinary proceedings are known. If no breach or misconduct is identified and no sanctions imposed, the beneficiary's eligibility for the deferred remuneration will be maintained. If a breach or misconduct is identified and sanctions imposed, then the beneficiary will no longer be eligible for that deferred remuneration.

Thus, in light of the RCI Banque group's internal organization and the nature, scope and low complexity of its activities, RCI Banque has put in place a remuneration policy that guarantees a principle of deferred and conditional payment for individuals whose professional activities have a significant impact on the risk profile. This principle will be re-assessed on a regular basis in the event that exposure to risks changes.

At end 2018, in application of the above provisions, the deferred remuneration situation is as follows:

- For the 2016 financial year, deferred amounts determined in 2017 represented a total deferred of 313,017 euros, spread over 2018, 2019 and 2020. Of that total, amounts that could be paid in 2018 conditional on confirmation were paid in full and represent a sub-total of 104,339 euros. The amount that remain deferred for the 2016 financial year for 2019 and 2020 is 208,678 euros.
- For the 2017 financial year, amounts determined in 2018 represented a total deferred of 453,194 euros, spread over 2019, 2020 and 2021.
- Thus, at end 2018, for the whole of the 2016 and 2017 financial years, amounts deferred for 2019 to 2021 represent a total of 661,872 euros.

During the 2018 financial year, among the people whose work has a significant impact on RCI Banque's risk profile, one person benefitted from a golden hello, for a total amount of 30,000 euros.

Additionally, of the people whose work has a significant impact on RCI Banque's risk profile, three people received a golden handshake in 2018, for a total amount of 567,370 euros. Of those three people, the largest amount came to 310,000 euros.

II - CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

A - APPLICABILITY - PRUDENTIAL SCOPE

The prudential scope used to calculate the solvency ratio is the scope of consolidation described in the IFRS notes to the financial statements, with the exception of the exemptions described below in respect of CRR prudential consolidation methods.

RCI Banque has not opted for the so-called “conglomerates” option; therefore the solvency ratio is calculated “exclusive of insurance”, eliminating the group insurance companies’ contributions from the numerator and the denominator.

Exemptions in respect of chapter 2 section 2 of the CRR (regulatory consolidation):

Insurance companies based in Malta are recognized by the equity method, in accordance with Article 18.5 of the CRR.

Furthermore, entities consolidated for accounting purposes by the proportional consolidation method before application of IFRS 11 and now deemed consolidated for accounting purposes by the equity method, remain prudentially consolidated by the proportional consolidation method in accordance with Article 18.4 of the CRR. Information on these entities and their consolidation method for accounting purposes is presented in note 8 to the consolidated financial statements.

With regard to liquidity ratios, only entities fully consolidated within the prudential scope are retained, in accordance with Article 18.1 of the CRR.

The main difference between the two scopes is explained by the change in consolidation method for the Turkish entity, recognized by the equity method for accounting purposes and by the proportional consolidation method for regulatory purposes, as well as by the group’s insurance companies, which are fully consolidated for accounting purposes but recognized by the equity method for regulatory purposes.

II.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

In millions of euros	Carrying values in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items subject to:				
			Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Not subject or deduction from capital
Assets							
Cash and balances at central banks	2,040	2,040	2,040				
Derivatives	123	123		123			
Financial assets at fair value through other comprehensive income	902	731	731				
Financial assets at fair value through profit or loss	166	166	166				
Financial assets at amortised cost							
Amounts receivable from credit institutions	1,033	1,003	1,003				
Loans and advances to customers	46,587	46,840	46,892				-52
Current tax assets	234	26	26				
Deferred tax assets	145	112	21				91
Adjustment accounts & miscellaneous assets	953	943	943				
Non-current assets held for sale							
Investments in associates and joint ventures	115	171	171				
Operating lease transactions	974	974	974				
Tangible and intangible non-current assets	39	39	32				7
Goodwill	83	83					83
Total assets	**53,394**	**53,249**	**52,998**	**123**			**129**
Liabilities							
Central Banks	2,500	2,500					2,500
Derivatives	82	82		11			72
Financial liabilities at fair value through profit or loss							
Amounts payable to credit institutions	2,431	2,431					2,431
Amounts payable to customers	16,781	17,259	12				17,247
Debt securities	23,509	23,509					23,509
Current tax liabilities	148	71					71
Deferred tax liabilities	472	472					472
Adjustment accounts & miscellaneous liabilities	1,543	1,457					1,457
Non-current liabilities held for sale							
Provisions	148	149					149
Insurance technical provisions	460						
Subordinated debt - Liabilities	13	13					13
Equity	5,307	5,307					5,307
Total liabilities	**53,394**	**53,249**	**12**	**11**			**53,227**

II.2. Main sources of differences between regulatory exposure amounts and carrying values in financial statements

In millions of euros	Total	Items subject to:			
		Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework
Asset carrying value amount under scope of regulatory consolidation	53,121	52,998	123		
Liabilities carrying value amount under regulatory scope of consolidation	23	12	11		
Total net amount under regulatory scope of consolidation	**53,098**	**52,986**	**112**		
Off-balance sheet amounts	2,227	2,227			
Differences in valuations	170	67	103		
Differences due to different netting rules, other than those already included in row 2	-828	-828			
Differences due to consideration of provisions	586	586			
Differences due to prudential filters					
Exposure amounts considered for regulatory purposes	**55,253**	**55,038**	**215**		

II.3. Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
RCI Financial Services B.V.	Full consolidation	X				Finance and services company
RCI Finance S.A.	Full consolidation	X				Credit institution
RCI Versicherungs-Service GmbH	Full consolidation	X				Insurance Brokers
Courtage S.A.	Full consolidation	X				Insurance Brokers
RCI Financial Services Ltd	Full consolidation	X				Credit institution
RCI Leasing Romania IFN S.A.	Full consolidation	X				Credit institution
RCI Zrt	Full consolidation	X				Credit institution
RCI Finance Maroc S.A.	Full consolidation	X				Credit institution
OOO RN Finance Rus	Full consolidation	X				Finance and services company
RDFM S.A.R.L	Full consolidation	X				Insurance Brokers
RCI Broker de asigurare S.R.L.	Full consolidation	X				Insurance Brokers
RCI Finance C.Z., S.r.o.	Full consolidation	X				Finance and services company
RCI Financial Services Korea Co. Ltd	Full consolidation	X				Credit institution
RCI Gest Seguros - Mediadores de Seguros Lda	Full consolidation	X				Insurance Brokers
RCI Finantare Romania S.r.l.	Full consolidation	X				Finance and services company

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
Corretora de Seguros RCI Brasil S.A.	Full consolidation	X				Insurance Brokers
Banco RCI Brasil S.A.	Full consolidation	X				Credit institution
Rombo Compania Financiera S.A.	Full consolidation	X				Credit institution
Diac Location S.A.	Full consolidation	X				Finance and services company
RCI Banque S.A.	Full consolidation	X				Credit institution
RCI Banque S.A. Niederlassung Deutschland	Full consolidation	X				Credit institution
RCI Banque S.A. Succursale Italiana	Full consolidation	X				Credit institution
RCI Banque Sucursal Argentina	Full consolidation	X				Credit institution
RCI Banque S.A. Sucursal Portugal	Full consolidation	X				Credit institution
RCI Banque S.A. Bančna podružnica Ljubljana	Full consolidation	X				Credit institution
RCI Banque S.A. Sucursal En España	Full consolidation	X				Credit institution
Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Full consolidation	X				Credit institution
RCI Banque S.A. Niederlassung Österreich	Full consolidation	X				Credit institution
RCI Banque, Branch Ireland	Full consolidation	X				Credit institution
RCI Banque Spólka Akcyjna Oddzial w Polsce	Full consolidation	X				Credit institution
RCI Bank UK	Full consolidation	X				Credit institution
Diac S.A.	Full consolidation	X				Credit institution
Autofin S.A.	Full consolidation	X				Finance and services company
RCI Financial Services S.A.	Full consolidation	X				Finance and services company
RCI Leasing Polska Sp. z o.o.	Full consolidation	X				Finance and services company
RCI Financial Services, S.r.o.	Full consolidation	X				Finance and services company
Renault Crédit Car S.A.	Equity method			X		Finance and services company
Administradora de Consórcio RCI Brasil Ltda	Full consolidation	X				Credit institution
Overlease S.A.	Full consolidation	X				Finance and services company
ES Mobility S.R.L.	Full consolidation	X				Finance and services company
ORFIN Finansman Anonim Sirketi	Equity method		X			Credit institution
RN SF BV	Equity method			X		Credit institution
RCI Financial Services LTD	Full consolidation			X		Insurance Company
RCI Services Algérie S.A.R.L.	Not consolidated			X		Finance and services company
RCI Financial Services Ukraine LLC	Not consolidated			X		Finance and services company
RCI Finance SK S.r.o.	Not consolidated			X		Finance and services company
RCI Servicios Colombia S.A.	Full consolidation			X		Finance and services company
RCI Usluge d.o.o	Not consolidated			X		Finance and services company
Overlease in Liquidazione S.R.L.	Not consolidated			X		Finance and services company
RCI Services, d.o.o.	Not consolidated			X		Finance and services company
ORF Kiralama Pazarlama ve Pazarlama Danismanligi A.S.	Not consolidated			X		Finance and services company
RCI Brasil Serviços e Participações Ltda	Not consolidated			X		Finance and services company

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	
RCI Services KFT	Not consolidated			X		Finance and services company
RCI Insurance Service Korea Co. Ltd	Not consolidated			X		Insurance Brokers
Nissan Renault Financial Services India Private Limited	Equity method			X		Finance and services company
RCI Lizing d.o.o.	Not consolidated			X		Credit institution
RCI Mobility SAS	Not consolidated			X		Comercial society
RCI Colombia S.A. Compania de Financiamiento	Full consolidation	X				Credit institution
Bulb Software Ltd	Not consolidated			X		Comercial society
RCI COM SA	Full consolidation	X				Comercial society
Flit Technologies Ltd	Not consolidated			X		Comercial society
Class&Co	Not consolidated			X		Comercial society
Yuso software SAS	Not consolidated			X		Comercial society
Marcel SAS	Not consolidated			X		Comercial society
Coolnagour Limited t/a iCabbi ("iCabbi IE")	Not consolidated			X		Comercial society
Coolnagor UK Limited	Not consolidated			X		Comercial society
SCT Systems Limited t/a DiSC	Not consolidated			X		Comercial society
iCabbi Canada, Incoporation	Not consolidated			X		Comercial society
iCabbi USA, Incorporation	Not consolidated			X		Comercial society

B - SOLVENCY RATIO

SOLVENCY RATIO (OWN FUNDS AND REQUIREMENTS)

In September 2007 the French Prudential Supervision and Resolution Authority granted RCI Banque individual exemptions from solvency ratio compliance for French credit institutions Diac SA and RCI Banque S.A., as the exemption conditions imposed by Article 4.1 of CRBF regulation 2000-03 were met by the group.

The switch to Directive 2013/36/EU (CRD IV) does not call into question the individual exemptions granted by the French Prudential Supervision and Resolution Authority before 1st January 2014, on the basis of previous regulatory provisions.

RCI Banque still complies with the framework of requirements provided in Article 7.3 of the CRR:

- There is no impediment to the transfer of own funds between subsidiaries;
- The risk measuring and control systems within the meaning of the ministerial order of 3 November 2014 on internal control are implemented on a consolidated basis, subsidiaries included.

Accordingly, the RCI Banque group is exempted from compliance on an individual basis with the solvency ratio for each of its French finance companies. However, it monitors changes in this ratio at group consolidated level every month.

The overall "Pillar I" solvency ratio came to 15.48% at 31 December 2018 (of which Core Tier one was 15.46%) against 15.04% at 31 December 2017 (of which Core Tier one was 15.01%). These ratios include profit for 2018, net of dividends that RCI Banque planned to pay to its shareholder relative to the financial year, in accordance with Article 26.2 of the CRR and the terms of decision BCE 2015/4. Compared to December 2017, the increase in the solvency ratio is due to a €478M increase in own equity, partially offset by a €2,233M increase in weighted risks.

Prudential own funds are determined in accordance with Regulation (EU) 575/2013 concerning prudential requirements applying to credit institutions and investment firms (CRR).

At end-December 2018, RCI Banque must apply the following capital buffers:

- A capital conservation buffer of 1.875% of total risk-weighted exposures;
- A countercyclical capital buffer applied to some countries as described in CCC1 table below.

IMPACTS OF IFRS 9 “FINANCIAL INSTRUMENTS”, APPLICABLE AS OF 1ST JANUARY 2018

IFRS 9 “Financial Instruments”, published by the IASB in July 2014 replaced IAS 39 “Financial Instruments: Recognition and Instruments”. It sets out new principles for the classification and measurement of financial instruments, of credit risk impairment on debt instruments recognized at amortized cost or fair value through equity, of loan commitments and financial guarantee contracts and of lease receivables and contract assets, and for general hedge (or microhedge) accounting.

Application of IFRS 9 has had an impact on the bank’s solvency ratio estimated at -0.06% fully recognized on opening (no phase-in).

II.4. Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

In millions of euros	General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	‘Countercyclical capital buffer rate
Breakdown by country												
Argentina	334						23			23	0.01	
Austria	653						46			46	0.02	
Belgium	455						36			36	0.02	
Brazil	2,003						128			128	0.06	
Swiss	879						62			62	0.03	
Czech Republic	232						15			15	0.01	1.00%
Germany	362	7,674					165			165	0.08	
Spain	519	4,244					183			183	0.08	
France	1,645	14,362					641			641	0.29	
Great-Britain	669	4,312					204			204	0.09	1.00%
Hungary	88						7			7	0.00	
Ireland	493						33			33	0.02	
India	31						6			6	0.00	
Italy	535	5,613					245			245	0.11	
South Korea	83	1,596					48			48	0.02	
Morocco	569						41			41	0.02	
Malta	78						16			16	0.01	
Netherlands	820						63			63	0.03	
Norway	3											2.00%
Poland	857						55			55	0.03	
Portugal	788						58			58	0.03	
Romania	262						19			19	0.01	
Russia	86						7			7	0.00	
Sweden	249						20			20	0.01	2.00%
Slovenia	292						19			19	0.01	
Slovakia	34						3			3	0.00	1.25%
Turkey	231						12			12	0.01	
United States	1											
Other countries	398						26			26	0.01	
Total all countries	**13,648**	**37,802**					**2,180**			**2,180**	**1.00**	**0.12%**

In accordance with the method used to calculate the countercyclical capital buffer. only the own funds requirements stipulated under Article 140(4) of CRD IV are included.

II.5. Amount of institution-specific countercyclical capital buffer

In millions of euros	Amounts
Total risk exposure amount	31,823
Institution specific countercyclical buffer rate	0.12%
Institution specific countercyclical buffer requirement	38

RCI Banque is not subject to the buffer required for systemically important institutions (Article 131 of the CRD IV), nor to the systemic risk requirement (Article 133 of the CRD IV).

C - OWN FUNDS

COMMON EQUITY TIER ONE ("CET 1")

Common equity Tier 1 capital comprises share capital and the related share premiums, reserves, non-distributed net profit after tax and accumulated other comprehensive income and minority interests after application of transitional provisions concerning prudential filters.

The main prudential filters applying to the group are:

- Exclusion of fair value reserves related to gains and losses on cash flow hedges;
- Exclusion of gains and losses recognized by the institution from valuing liabilities at fair value that are due to changes in the institution's credit standing;
- Exclusion of minority interests – subject to a phase-in;
- Progressive deduction of deferred tax assets dependent on future profits linked to unused deficits – subject to a phase-in;
- Intangible assets and consolidated goodwill;
- Prudential valuation adjustments (PVA). Total assets & liabilities valued at fair value represent less than €15 billion, RCI applies the simplified method to calculate this additional adjustment to own equity;
- Irrevocable payment commitments and certificates of association pledged to Single Resolution Funds and Deposit Guarantee and Resolution Funds.

Shareholdings of more than 10% in financial sector entities and deferred tax assets dependent on future profits linked to temporary differences are lower, after application of the threshold, than the twofold common deductible of 17.5% and are therefore weighted by 250% in assets.

The following phase-ins are applied in 2018:

- minority interests are deducted in full from regulatory capital against an 80% deduction in 2017;
- the amounts at end December 2013 of IDAs depending on future profits linked to deferrable deficits are deducted from regulatory capital at 80% against 60% at end 2017.

It should be noted that RCI Banque's CET1 core capital represented 99.9% of total prudential capital at end December 2018 against 99.8% at end 2017.

Category 1 capital increased by €478M compared to 31 December 2017 to €4,920M, RCI Banque having included the result for 2018 net of dividends that RCI Banque planned to pay to its shareholder.

ADDITIONAL TIER 1 CAPITAL ("AT1")

This comprises capital instruments, which are free of any repayment incentive or obligation (in particular jumps on yield), as described in Articles 51 and 52 of the CRR.

The RCI Banque group holds no such instruments.

COMMON EQUITY TIER 2 ("CET 2")

This includes subordinated debt instruments with a minimum term of 5 years without advance repayment during these first 5 years, as described in Articles 62 and 63 of the CRR.

These instruments are written down during the five-year period preceding their term.

The RCI Banque group classified €7 million of Diac equity securities in this category at the end of December 2018.

II.6. Main characteristics of equity instruments

Features	Relevant information
Issuer	DIAC S.A.
Unique identifier	FR0000047821
Governing law(s) of the instrument	French
Eligible at solo/(sub-)consolidated or combined	Eligible at consolidated level (RCI Banque)
Instrument type	T2
Amount recognized in regulatory capital	7 M€
Nominal amount of instrument	1000 FRF or 152.45€
Accounting classification	Subordinated debt
Original date of issuance	1/04/85
Perpetual or dated	Perpetual
Issuer call subject to prior supervisory approval	None
Fixed or floating dividend/coupon	Floating coupon
Coupon rate and any related index	Based on the net result, with a minimum of the TAM (floored at 6.5%) and 130% of the TAM
Existence of step up or other incentive to redeem	No step up or incentive to redeem
Convertible or non-convertible	non-convertible
Write-down features	None
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated bonds with no enhancement clause. Participating loan stocks are junior to senior debt of the issuer. In the event of company liquidation, notes shall be repaid after the payment of all other liabilities.

By the same token, the negative difference between the balance of provisions and expected losses is deducted from equity, within the framework of the advanced approach to credit risk. When expected losses are lower than value adjustments and collective impairments, the balance is added to additional equity up to 0.6% of the weighted risks of exposures treated by the “internal rating” method.

No amount was added to Tier 2 equity at the end of December 2018, or at the end of 2017.

No transitional filter is applied to Tier 2 equity for the RCI group.

II.7. Breakdown of regulatory capital by category

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Common Equity Tier 1 capital: instruments and reserves			
Capital instruments and the related share premium accounts	814	26 (1), 27, 28, 29, EBA list 26 (3)	
of which: Ordinary shares	*100*	*EBA list 26 (3)*	
of which: Instrument type 2	*714*	*EBA list 26 (3)*	
of which: Instrument type 3		*EBA list 26 (3)*	
Retained earnings	2,120	26 (1) (c)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	1,619	26 (1)	
Funds for general banking risk		26 (1) (f)	
Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
Public sector capital injections grandfathered until 1st January 2018		483 (2)	
Minority Interests (amount allowed in consolidated CET1)		84, 479, 480	
Independently reviewed interim profits net of any fore- seeable charge or dividend	658	26 (2)	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**5,211**		
Common Equity Tier 1 capital:instruments and reserves			
Additional value adjustments (-)	-40	34,105	
Intangible assets (net of related tax liability) (-)	-90	36 (1) (b), 37, 472 (4)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (-)	-91	36 (1) (c), 38, 472 (5)	
Fair value reserves related to gains or losses on cash flow hedges	10	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	-89	36 (1) (d), 40, 159, 472 (6)	
Any increase in equity that results from securitised assets (-)		32 (1)	
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	6	33 (b)	
Defined-benefit pension fund assets (-)		36 (1) (e), 41, 472 (7)	
Direct and indirect holdings by an institution of own CET1 instruments (-)		36 (1) (f), 42, 472 (8)	
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		36 (1) (g), 44, 472 (9)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a investment in those entities (< 10% threshold and net of eligible short positions) (-)		36(1) (h),43,45,46,49(2) (3),79,472(10)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a investment in those entities (<10% threshold and net of eligible short positions) (-)		36-1,43,45,47,48-1,49,79,470,472-11	

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	
of which: qualifying holdings outside the financial sector (-)		*36 (1) (k) (i), 89 à 91*	
of which: securitisation positions (-)		*36 (1) (k) (ii)243 (1) (b)244 (1) (b)*	
of which: free deliveries (-)		*36 (1) (k) (iii), 379 (3)*	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (-)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
Amount exceeding the 15% threshold (-)		48 (1)	
of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		*36 (1) (i), 48 (1) (b),470, 472 (11)*	
Empty Set in the EU			
of which: deferred tax assets arising from temporary differences		*36 (1) (c), 38, 48 (1) (a), 470, 472 (5)*	
Losses for the current financial year (-)		36 (1) (a), 472 (3)	
Foreseeable tax charges relating to CET1 items (-)		36 (1) (l)	
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
of which: filter for unrealised loss		*467*	
of which: filter for unrealised gain		*468*	
Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	4	481	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)		36 (1) (j)	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-291**		
Common Equity Tier 1 (CET1) capital	**4,920**		
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts		51, 52	
of which: classified as equity under applicable accounting standards			
of which: classified as liabilities under applicable accounting standards			
Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1		486 (3)	
Public sector capital injections grandfathered until 1st January 2018		483 (3)	
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
of which: instruments issued by subsidiaries subject to phase out		*486 (3)*	
Additional Tier 1 (AT1) capital before regulatory adjustments			
Additional Tier 1 (AT1) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own ATI Instruments (-)		52 (1) (b), 56 (a), 57, 475 (2)	

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		56 (b), 58, 475 (3)	
Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (< 10% threshold and net of eligible short positions) (-)		56 (c), 59, 60, 79, 475 (4)	
Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (< 10% threshold net of eligible short positions) (-)		56 (d) , 59, 60, 79, 475 (4)	
Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013			
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
of which: Own capital instruments *of which: non-significant investments in the capital of other financial sector entities* *of which: significant investments in the capital of other financial sector entities*		*472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)*	
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			
of which: Own capital instruments *of which: non-significant investments in the capital of other financial sector entities* *of which: significant investments in the capital of other financial sector entities*		*477, 477 (3), 477 (4) (a)*	
Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481	
Qualifying T2 deductions that exceed the T2 capital of the institution (-)		56 (e)	
Total regulatory adjustments to Additional Tier 1 (AT1) capital			
Additional Tier 1 (AT1) capital			
Tier 1 capital (T1 = CET1 + AT1)	**4,920**		
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	7	62, 63	
Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2		486 (4)	
Public sector capital injections grandfathered until 1st January 2018		483 (4)	
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		87, 88, 480	
of which: instruments issued by subsidiaries subject to phase out		*486 (4)*	
Credit risk adjustments		62 (c) et (d)	
Tier 2 (T2) capital before regulatory adjustments	**7**		
Tier 2 (T2) capital: regulatory adjustments			
Direct and indirect holdings by an institution of own T2 instruments and subordinated bans (-)		63 (b) (i), 66 (a), 67, 477 (2)	
Holdings of the T2 instruments and subordinated bans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)		66 (b), 68, 477 (3)	
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-)			

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
of which new holdings not subject to transitional arrangements *of which holdings existing before 1st January 2013 and subject to transitional arrangements*		*66 (c), 69, 70, 79, 477 (4)*	
Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (-)		66 (d), 69, 79, 477 (4)	
Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)			
Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013			
of which: Own capital instruments *of which: non-significant investments in the capital of other financial sector entities* *of which: significant investments in the capital of other financial sector entities*		*472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)*	
Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013			
of which: Own capital instruments *of which: non-significant investments in the capital of other financial sector entities* *of which: significant investments in the capital of other financial sector entities*		*475, 475 (2) (a), 475 (3), 475 (4) (a)*	
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
Total regulatory adjustments to Tier 2 (T2) capital			
Tier 2 (T2) capital	**7**		
Total capital (TC = T1 + T2)	**4,928**		
Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/ 2013(i.e. CRR residual amounts)			
of which: Adjustment of the 15% threshold, part of the significant investments of the CET1, items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts)		*472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)*	
of which: Adjustment of the 15% threshold, part of the significant investments of the CET1, items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts)			
of which: Adjustment of the 15% threshold, deferred tax assets part, items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts)		*475, 475 (2) (b), 475 (2) (c), 475 (4) (b)*	
of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) *Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts)*		*477, 477 (2) (b), 477 (2) (c), 477 (4) (b)*	
Total risk weighted assets	**31,823**		
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	15.46%	92 (2) (a), 465	
Tier 1 (as a percentage of risk exposure amount)	15.46%	92 (2) (b), 465	
Total capital (as a percentage of risk exposure amount)	15.48%	92 (2) (c)	
Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	2.00%	CRD 128, 129, 130	

In millions of euros	Amount at disclosure date	Regulation (eu) no 575/2013 reference	Amounts subject to pre-regulation or prescribed residual amount of regulation (EU) no 575/2013
of which: capital conservation buffer requirement	*1.88%*		
of which: countercyclical buffer requirement	*0.12%*		
of which: systemic risk buffer requirement			
of which: Global Systemically Important Institution (G-511) or Other Systemically Important Institution (O-SII) buffer		*CRD 131*	
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	10.96%	CRD 128	
(non relevant in EU regulation)			
(non relevant in EU regulation)			
(non relevant in EU regulation)			
Capital ratios and buffers			
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (< 10% threshold and net of eligible short positions)		36-1, 45, 46, 472-10, 56, 59, 60, 475-4, 66, 69, 70, 477-4	
Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (< 10% threshold and net of eligible short positions)		36 (1) (i), 45, 48, 470, 472 (11)	
Empty Set in the EU			
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)		36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)		62	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	159	62	
Credit risk adjustments included in T2 in respect of exposures subject to internai ratings-based approach (prior to the application of the cap)		62	
Cap for inclusion of credit risk adjustments in T2 under internai ratings-based approach	93	62	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)			
Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) et (5)	
Amount excluded from CET1 due to cap (excess over cap atter redemptions and maturities)		484 (3), 486 (2) et (5)	
Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) et (5)	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) et (5)	
Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) et (5)	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) et (5)	

D - CAPITAL REQUIREMENTS

Prudential requirements are determined in accordance with transitional texts and arrangements applying from 1st January 2014 to credit institutions and investment firms, as published in the Official Journal of the European Union on 26 June 2013: Regulation (EU) 575/2013 and Directive 2013/36/EU, transposed by Order 2014-158 of 20 February 2014. This upward trend in capital requirements primarily reflects the overall increase in activity of the RCI Banque group.

RCI Banque does not own any non-consolidated financial institution with an actual amount of capital less than its capital requirement.

II.8. Overview of RWA

In millions of euros	RWA		Min. capital requirements
	12/2018	09/2018	12/2018
Credit risk (excluding CCR)	27,377	28,987	2,190
Of which the standardised approach	*11,940*	*13,757*	*955*
Of which the foundation IRB (FIRB) approach	*222*	*161*	*18*
Of which the advanced IRB (AIRB) approach	*15,216*	*15,069*	*1,217*
Of which equity IRB under the simple RWA or the IMA			
Counterparty Credit Risk	201	156	16
Of which mark to market			
Of which original exposure			
Of which the standardised approach	*65*	*132*	*5*
Of which internal model method (IMM)			
Of which REA for contributions to the default fund of a CCP			
Of which Credit Valuation Adjustment	*136*	*24*	*11*
Settlement risk			
Securitisation exposures in the banking book (after the cap)			
Of which IRB approach			
Of which IRB supervisory formula approach (SFA)			
Of which internal assessment approach (IAA)			
Of which standardised approach			
Market risk			
Of which the standardised approach			
Of which IMA			
Large exposures			
Operational risk	3,502	3,178	280
Of which basic indicator approach			
Of which standardised approach	*3,502*	*3,178*	*280*
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% RW)	743	501	59
Floor adjustment			
Total	**31,823**	**32,822**	**2,546**

E - MANAGEMENT OF INTERNAL CAPITAL

The internal capital requirement results from an assessment of the capital needed to deal with all RCI Banque's risks (Pillar I + Pillar II).

It equals the floor value of capital that the group's management considers necessary to tackle its risk profile and strategy.

Capital is managed by the "Accounting and Performance Control" and "Finance and Treasury" Divisions with the endorsement of the Chief Risk Officer and Chief Executive Officer under the control of RCI Banque's Board of Directors.

The RCI Banque group's capital management policy aims to optimize the use of own funds to maximize short and long-term yield for the shareholder, while maintaining a Core Tier one ratio that is consistent with the target rating needed to optimize refinancing.

The RCI group accordingly determines its internal solvency target in accordance with its goals and in compliance with regulatory thresholds.

For that purpose, the group implements an Internal Capital Adequacy Assessment Process (ICAAP) that enables it to meet the following two main aims:

- Periodically assess, and preserve in the medium term, adequate capital requirements to cover all types of risks incurred by the RCI Banque group, both under normal "centered" and stressed conditions. The said conditions are simulated using stress scenarios at least once a year.
- Constantly ensure that the RCI group has market access by enabling it in all stress situations to maintain its rating, solvency ratios and other indicators analyzed by the market, in direct comparison with the competition.

As such, and in accordance with regulatory texts, the ICAAP adopts a multidimensional approach that more particularly takes into account the following general principles:

- **Alignment with the group's risk profile and strategy:** the ICAAP is incorporated into the group's key processes: definition of economic models, the budgetary and forecasting process, the risk identification process, the risk appetite framework, the ILAAP (Internal Liquidity Adequacy Assessment Process) and the recovery plan.
- **Proportional approach based on a periodic review** of its risk appetite, its profile and its level of capital geared to its economic model, size and complexity.
- **Planning and setting risk limits:** RCI forecasts its own funds requirements based on the forecasting process fixed by the ICAAP and sets limits enabling it to remain consistent with the risk appetite approved by RCI Banque's Board of Directors.
- **Monitoring, control and supervision:** RCI regularly monitors the Risk Appetite Framework and the ICAAP indicators and thresholds at all levels of the company to ensure it complies with the set thresholds.

F - LEVERAGE RATIO

The Basel III/CRD IV regulations introduce the leverage ratio, the main aim of which is to serve as an additional measure to capital requirement based on weighted risks in order to avoid excessive development of exposures in relation to own funds.

Article 429 of the capital requirements regulation (CRR) specifies the methods for calculating the leverage ratio; it has been modified and replaced with delegated regulation (EU) 62/2015 of 10 October 2014, published in the OJEU on 18 January 2015. The leverage ratio shall be calculated as the ratio of the institution's Tier 1 capital to that of institution's total exposure, which includes balance sheet assets and off-balance sheet assets measured using a prudential approach.

Since 1st January 2015, disclosure of the leverage ratio has been mandatory (Article 521-2a of the CRR) at least once a year (CRR a.433), together with the financial statements (BCBS270 Article 45).

At the end of the current period of observation (2013-2016), banking institutions shall, from 1st January 2018, meet a minimum leverage ratio, set at 3% by the Basel Committee.

The RCI Banque group's leverage ratio, estimated according to CRR/CRD IV rules and factoring in the delegated regulation of October 2014, was 8.89% at 31 December 2018.

II.9. Summary reconciliation of accounting assets and leverage ratio exposures

In millions of euros	
Total assets as per published financial statements	**53,394**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-145
Adjustments for derivative financial instruments	176
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,227
Other adjustments	-322
Leverage ratio total exposure measure	**55,330**

RCI has no unrecognized fiduciary assets, in accordance with Article 429.11 of the CRR.

II.10. Leverage ratio

In millions of euros	
On-balance sheet exposures	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	53,056
Asset amounts deducted in determining Tier 1 capital	-252
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**52,804**
Derivative exposures	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	299
Total derivatives exposures	**299**
Other off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	2,437
Adjustments for conversion to credit equivalent amounts	-210
Total other off-balance sheet exposures	**2,227**
Capital and total exposure mesure	
Tier 1 capital	4,920
Leverage ratio total exposure measure	55,330
Leverage ratio	**8.89%**

Choice on transitional arrangements for the definition of the capital measure:Transitionary definition

II.11. Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

In millions of euros	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	**53,056**
Trading book exposures	
Banking book exposures, of which:	53,056
Exposures treated as sovereigns	*3,241*
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	*74*
Institutions	*1,103*
Retail exposures	*30,664*
Corporate	*16,299*
Exposures in default	*249*
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	*1,426*

II.12. Statement of qualitative elements

Descriptions of the procedures used to manage the excessive leverage risk.	RCI Banque monitors its leverage ratio on a monthly basis and keeps the Executive Committee informed thereof. The ratio is also stated in the balanced scorecard of risks provided quarterly to the Board of Directors' Risks Committee. An internal limit has been set and a warning system has been put in place.
Description of factors having an impact on the leverage ratio during the period to which the leverage ratio disclosed by the institution refers.	RCI Banque disclosed a Basel III leverage ratio of 8.89% at the end of December 2018 against 8.59% at the end of December 2017. The ratio increase slowly due to growth of Tier 1 capital.

G - MANAGEMENT OF THE LEVERAGE RATIO

Management of the leverage ratio consists both in calibrating "Tier 1" capital (the numerator of the ratio) and adjusting the group's leveraged exposure (denominator of the ratio) to meet the target ratio the group has set for itself, higher than the minimum of 3% recommended by the Basel Committee.

Monthly monitoring of the leverage ratio ensures that it is in line with the set target.

III - CREDIT RISK

A - EXPOSURE TO THE CREDIT RISK

The Exposure at Default (EAD) includes both balance sheet and off-balance sheet credit exposures. Moreover, the prudential scope is different from the accounting scope of consolidation. The credit exposure values in the above table are thus different from those in Note 17 to the consolidated financial statements concerning financial assets by remainder of the term.

RCI Banque uses three risk-classification levels for receivables and writes them down on an individual or collective basis. The valuation presentation and principles are described in part A of the notes to the consolidated financial statements.

These classification levels are:

- **Bucket 1:** no deterioration or insignificant deterioration in credit risk from origination;
- **Bucket 2:** significant deterioration of credit risk from origination or non investment grade financial counterparty;
- **Bucket 3:** deterioration such as ascertained loss (category of default).

III.1. Credit risk mitigation techniques – overview

In millions of euros	Exposures unsecured	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Loans	49,841		828		
Debt securities	829				
Total	**50,670**		**828**		
Of which defaulted	*622*				

III.2. Total and average net amount of exposures

In millions of euros	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks		
Institutions		
Corporates	11,331	10,872
Of which: SMEs	*2,639*	*2,632*
Retail	25,886	24,945
Secured by real estate property		
Qualifying revolving		
Other retail	*25,886*	*24,945*
SMEs	*2,755*	*2,663*
Non-SMEs	*23,132*	*22,282*
Equity		
Total IRB approach	**37,218**	**35,817**
Central governments or central banks	3,250	2,451
Regional governments or local authorities	60	48
Public sector entities	21	20
Multilateral development banks		1
International organisations	15	18
Institutions	1,143	1,336
Corporates	5,927	7,429
Of which: SMEs	*3,158*	*3,005*
Retail	6,318	6,049
Of which: SMEs	*1,146*	*1,179*
Secured by mortgages on immovable property		
Exposures in default	94	99
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment	90	150
Collective investments undertakings		
Equity exposures	223	203
Other exposures	1,406	1,093
Total standardised approach	**18,546**	**18,897**
Total	**55,764**	**54,713**

III.3. Geographical breakdown of exposures

In millions of euros	France	Germany	Great-Britain	Italy	Spain	Brazil	South Korea	Swiss	Portugal	Poland	Netherland	Other countries	Total
Corporates	6,585	1,438	903	1,436	970								11,331
Retail	7,538	6,190	3,284	4,105	3,222		1,547						25,886
Total IRB approach	**14,123**	**7,628**	**4,187**	**5,541**	**4,192**		**1,547**						**37,218**
Central governments or central banks	2,431	101	99	184	23	191	101	1	34	40	1	43	3,250
Regional or local authorities	44			0								16	60
Public sector entities						21							21
International organisations												15	15
Institutions	460	191	191	143	36	10		2	4	0	23	83	1,143
Corporates	616	164	52	235	278	564	39	424	512	390	390	2,261	5,927
Retail	423	14	363	279	207	1,594	14	423	236	440	354	1,971	6,318
Exposures in default	5	0	4	6	0	34	2	4	11	5	0	23	94
Claims on institutions and corporates with a short-term credit	46	9	5		0		17					13	90
Equity exposures	52										63	109	223
Other exposures	652	184	251	42	34	7	11	28	29	21	13	134	1,406
Total standardised approach	**4,729**	**663**	**966**	**890**	**578**	**2,420**	**184**	**882**	**825**	**897**	**844**	**4,667**	**18,546**
Total	**18,852**	**8,291**	**5,152**	**6,432**	**4,770**	**2,420**	**1,732**	**882**	**825**	**897**	**844**	**4,667**	**55,764**

III.4. Concentration of exposures by industry or counterparty types

In millions of euros	Central governments or central banks	Institutions	Other financial corporations	Households	Non-financial corporations	Of which								Other exposures	Total
						Manu-facturing	Construction	Wholesale and retail trade	Transport and storage	Professional, scientific and technical activities	Administrative and support service activities	Human health services and social work activities	Other sectors		
Central governments or central banks															
Institutions															
Non-financial corporations					14,086	*534*	*855*	*9,866*	*389*	*318*	*910*	*292*	*922*		14,086
Households				23,132											23,132
Equity															
Total IRB approach				**23,132**	**14,086**	***534***	***855***	***9,866***	***389***	***318***	***910***	***292***	***922***		**37,218**
Central governments or central banks	3,250														3,250
Regional or local authorities			60												60
Public sector entities			21												21

In millions of euros	Central governments or central banks	Institutions	Other financial corporations	Households	Non-financial corporations	Of which								Other exposures	Total
						Manu-facturing	Construction	Wholesale and retail trade	Transport and storage	Professional, scientific and technical activities	Administrative and support service activities	Human health services and social work activities	Other sectors		
Multilateral development banks															
International organisations			15												15
Institutions		1,143													1,143
Non-financial corporations					7,160	*339*	*231*	*4,835*	*251*	*83*	*471*	*55*	*895*		7,160
Households				5,085											5,085
Secured by mortgages on immovable property															
Exposures in default	0		0	25	69	*3*	*3*	*47*	*2*	*4*	*1*	*0*	*8*		94
Items associated with particularly high risk															
Covered bonds															
Claims on inst. and corporates with a ST credit assessment		65			25	*1*	*1*	*17*	*1*		*2*		*3*		90
Collective investments undertakings															
Equity exposures														223	223
Other exposures														1,406	1,406
Total standardised approach	**3,250**	**1,208**	**96**	**5,110**	**7,254**	***343***	***235***	***4,899***	***254***	***87***	***474***	***56***	***906***	**1,628**	**18,546**
Total	**3,250**	**1,208**	**96**	**28,242**	**21,340**	***876***	***1,090***	***14,765***	***644***	***405***	***1,384***	***348***	***1,828***	**1,628**	**55,764**

III.5. Maturity of exposures

In millions of euros	On Demand	≤ 1 year	> 1 year and ≤ 5 years	> 5 years	No stated maturity	Total
Non-financial corporations	491	10,987	2,590	19		14,086
Households	58	8,721	14,104	249		23,132
Other exposures						
Total IRB approach	**549**	**19,708**	**16,694**	**267**		**37,218**
Central governments or central banks	1,999	800	424	27		3,250
Institutions and other financial corporations	811	165	308	20		1,304
Non-financial corporations	885	5,021	1,066	94	188	7,254
Households	17	2,144	2,878	71		5,110
Other exposures					1,628	1,628
Total standardised approach	**3,712**	**8,131**	**4,676**	**211**	**1,816**	**18,546**
Total	**4,261**	**27,839**	**21,370**	**479**	**1,816**	**55,764**

III.6. Credit quality of exposures by exposure class and instrument

In millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks							
Institutions							
Corporates	63	11,339	-26	-45		11,331	-20
Of which: SMEs	*38*	*2,629*	*-15*	*-13*		*2,639*	*-4*
Retail	380	26,019	-255	-258		25,886	-127
Secured by real estate property							
Qualifying revolving							
Other retail	*380*	*26,019*	*-255*	*-258*		*25,886*	*-127*
SMEs	*66*	*2,756*	*-40*	*-28*		*2,755*	*-14*
Non-SMEs	*314*	*23,262*	*-215*	*-230*		*23,132*	*-113*
Equity							
Total IRB approach	**444**	**37,358**	**-281**	**-303**		**37,218**	**-147**
Central governments or central banks	0	3,250		0		3,250	0
Regional governments or local authorities	0	60		0		60	0
Public sector entities		21				21	
Multilateral development banks							
International organisations		15				15	
Institutions		1,143				1,143	
Corporates	88	5,972	-31	-45		5,984	3
Of which: SMEs	*77*	*3,189*	*-28*	*-31*		*3,207*	*5*
Retail	99	6,377	-62	-59		6,355	-25
Of which: SMEs	*21*	*1,157*	*-9*	*-11*		*1,158*	*-3*
Secured by mortgages on immovable property							
Items associated with particularly high risk							
Covered bonds							
Claims on inst. and corporates with a ST credit assessment		90				90	
Collective investments undertakings							
Equity exposures		223				223	5
Other exposures		1,406				1,406	
Total standardised approach	**188**	**18,557**	**-93**	**-105**		**18,546**	**-17**
Total	**631**	**55,915**	**-374**	**-408**		**55,764**	**-164**
Of which: Loans	*622*	*50,048*	*-374*	*-401*		*49,895*	*-156*
Of which: Debt securities		*730*		*-2*		*728*	*-2*
Of which: Off-balance-sheet exposures	*8*	*2,507*	*0*	*-5*		*2,509*	*-5*

III.7. Credit quality of exposures by industry or counterparty types

In millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks	0	3,250		0		3,250	0
Institutions		1,208				1,208	
Other financial corporations	0	96		0		96	0
Households	395	28,377	-268	-262		28,242	-160
Non-financial corporations	236	21,356	-106	-145		21,340	-9
Of which: Manufacturing	*20*	*869*	*-8*	*-6*		*876*	*-4*
Of which: Construction	*21*	*1,084*	*-8*	*-8*		*1,090*	*-4*
Of which: Wholesale and retail trade	*127*	*14,804*	*-64*	*-101*		*14,765*	*15*
Of which: Transport and storage	*15*	*637*	*-4*	*-4*		*644*	*-3*
Of which: Professional, scientific and technical activities	*11*	*401*	*-4*	*-3*		*405*	*-3*
Of which: Administrative and support service activities	*11*	*1,389*	*-6*	*-9*		*1,384*	*1*
Of which: Human health services and social work activities	*3*	*350*	*-2*	*-3*		*348*	*-1*
Of which: Other sectors	*27*	*1,823*	*-11*	*-12*		*1,828*	*-9*
Other exposures		1,628				1,628	5
Total	**631**	**55,915**	**-374**	**-408**		**55,764**	**-164**

III.8. Credit quality of exposures by geographical area

In millions of euros	Gross values of defaulted exposures	Gross values of non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Net value	Credit risk adjustment charges of the period
France	247	18,855	-144	-105		18,852	-65
Germany	31	8,305	-18	-28		8,291	-3
Great-Britain	27	5,251	-21	-104		5,152	-36
Italy	91	6,420	-50	-29		6,432	-17
Spain	45	4,783	-34	-24		4,770	-10
Brazil	50	2,418	-16	-32		2,420	-11
South Korea	40	1,742	-34	-17		1,732	-12
Swiss	6	881	-2	-3		882	-1
Portugal	16	823	-5	-8		825	-1
Poland France	12	901	-7	-9		897	-1
Netherland	1	846	-1	-3		844	4
Other countries	65	4,689	-42	-45		4,667	-11
Total	**631**	**55,915**	**-374**	**-408**		**55,764**	**-164**

III.9. Ageing of past-due exposures

In millions of euros	Gross carrying values					
	≤ 30 days	> 30 days and ≤ 60 days	> 60 days and ≤ 90 days	> 90 days and ≤ 180 days	> 180 days and ≤ 1 year	> 1 year
Loans	331	218	44	59	37	74
Debt securities						
Total exposures	**331**	**218**	**44**	**59**	**37**	**74**

III.10. Non-performing and forborne exposures

In millions of euros	Gross carrying amount of performing and non-performing exposures						
		Of which performing but past due > 30 to 90 d	Of which performing forborne	Of which non-performing			
					Of which defaulted	Of which impaired	Of which forborne
Loans	50,670	37	50	622	622	622	68
Debt securities	829						
Off-balance-sheet exposures	2,515			8	8		

In millions of euros	Accumulated impairment and provisions and negative fair-value adjustments due to credit risks				Collaterals and financial guarantees received	
	On performing exposures	Of which forborne	On non-performing exposures	Of which forborne	On non-performing exposures	Of which forborne exposures
Loans	-405	0	-378	-52	98	
Debt securities	-2					
Off-balance-sheet exposures	-5		0			

III.11. Changes in the stock of general and specific credit risk adjustments

In millions of euros	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**157**	**579**
Increases due to amounts set aside for estimated loan losses during the period	112	386
Decreases due to amounts reversed for estimated loan losses during the period	-79	-284
Decreases due to amounts taken against accumulated credit risk adjustments	-21	-44
Transfers between credit risk adjustments	86	368
Impact of exchange rate differences	-105	-353
Business combinations, including acquisitions and disposals of subsidiaries		
Other adjustments	-11	-1
Closing balance	**139**	**652**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	11	
Specific credit risk adjustments directly recorded to the statement of profit or loss	97	

III.12. Changes in the stock of defaulted and impaired loans and debt securities

In millions of euros	GV defaulted exposures
Opening balance	**564**
Loans and debt securities that have defaulted or impaired since the last reporting period	380
Returned to non-defaulted status	-225
Amounts written off	-97
Other changes	
Closing balance	**622**

Defaulting exposures and valuation adjustments on “other categories of exposures” are non-significant.

B - CREDIT RISK MANAGEMENT PROCESS

For both the Customers and the Wholesale business, the credit risk prevention policy aims to ensure that the budgeted cost of risk for each country is met, regarding the brands and the main markets.

RCI Banque uses advanced scoring systems, and external databases whenever the information is available, to assess the capacity of individual and business customers to meet their commitments. An internal rating system is also used to assess loans to dealerships. RCI Banque constantly monitors its acceptance policy to consider the economic environment conditions.

CUSTOMER RISK MANAGEMENT

The acceptance policy is adjusted and the tools (approval scores, combined with additional rules) are optimized regularly consequently. Collection of incident-flagged or defaulted receivables is also adjusted regarding the means or strategy, according to customer typology and the difficulties encountered.

Contractual termination can thus be accelerated when faced with the risk when the debt becomes irrecoverable in a very short term. At the Corporate level, the Operations and Credit Risk Management department manages the cost of risk of the subsidiaries and coordinates the action plans aimed at achieving the set targets. Granting conditions are subject to the strict Corporate rules, and the management of the financing and the recovery is very deeply monitored. The subsidiaries' performances in terms of the quality of acceptance and the collection efficiency are analyzed in monthly Risk reports and are presented to the Corporate by the subsidiaries during monthly or bimonthly (depending on the significance of the country concerned) committees.

The treatment of restructured debt is compliant with the Basel Committee guidelines and the recommendations of the European Central Bank. This treatment is laid down in a framework procedure and declined in the local management/ recovery procedures.

DEALER RISK MANAGEMENT

For the perimeter of each subsidiary, the Dealers are monitored daily by the means of short-term indicators that, combined with long-term indicators, identify in advance any deal presenting a partial or total risk of non-collection. Within the subsidiaries with internal model in place, the internal rating plays a key role in identifying deals that present a heightened risk of default.

At the Corporate level, the Wholesale Funding department puts in place the corpus of risk control procedures. Customers identified as risky are classified as “incident pre-alert” or “doubtful alert”. High risk customers are reviewed within the risk committees in the subsidiaries. The members of said risk committees include the manufacturers' local managers and RCI Banque managers dealing with the network to decide on the action plans and urgent interim measures needed to manage the risk.

RETAIL CUSTOMER BUSINESS RESULTS AT THE END OF DECEMBER 2018

The accounting cost of risk, which reflects the variation in stock of provisions and bad debts write-offs, is the main measure of risk management. The IFRS9 provisioning standard has been applied since 1st January 2018 in all entities in the RCI Bank & Services Group consolidation perimeter. Two distinct methods have been employed depending on the size of the entity in question:

- a method based on using behavior and loss rate internal models (France, Germany, Spain, Italy, United Kingdom, Korea, Brazil), in which the Bucket 1/Bucket 2 exposures are staged according to the rating from behavior models, and their evolution since the origination, the staging in Bucket 3 corresponding to the default status. The discounted provision is determined in accordance with point-in-time risk parameters (especially Probabilities of Default and Loss Given Default rate calculated on recent records) specific to IFRS9 provisioning;
- for other entities using the standard method, provisions are calculated using transition matrices applied to the

portfolio's aged balances. In this context, the Bucket 2 corresponds to the receivables with past due more than 30 days at the closing date, or that encountered a past due amount in the last 12 months.

The Retail cost of risk at end of December 2018 closed at 0.51% of average performing assets (APA), against 0.19% at end of December 2017. After a record low point in 2017, 2018 was marked by satisfactory performance of delinquency and bad debt indicators on the portfolio and by the implementation of IFRS9 provisioning methodology which results in an additional cost due to the provisioning of healthy assets and off-balance sheet commitments, in a context of outstanding increase.

Bad debts reached €538M, which is a very limited 1.46% of total receivables at end 2018 against 1.36% at end 2017. The coverage rate for bad debt was 64.9% at end of 2018, slightly down compared to end of 2017 (65.7%), due to the sales of non-performing loans largely or totally provisioned.

Performing and non-performing restructured receivables amounted to €112M, down compared to end of December 2017 (€116.8M).

DEALER BUSINESS RESULTS AT END OF DECEMBER 2018

RCI Banque continued its policy of support for manufacturers and their distribution networks by providing suitable financing solutions. In that respect, managing inventories with the manufacturers and ensuring their appropriateness for market conditions remained a priority.

In 2018, RCI Banque strengthened its international presence and supported the development of Alliance brands and their dealer networks, with the rollout of stock finance solutions for the Lada dealer networks in Russia, Mitsubishi in the Netherlands and Nissan in Argentina, in all representing an amount outstanding of €85M at end December 2018.

The amount outstanding on dealer networks for the whole of the business perimeter remained stable compared to the last financial year at €11 billion.

The 2018 cost of risk took account of the implementation of IFRS9. In that context, the cost of risk for dealer network finance business is mainly linked to the return to sound business in France.

Bad debt was down by 22%, falling from €106.8M at end December 2017 to €83M at end December 2018. It represents 0.79% of dealer network outstandings at end December 2018 against 0.96% at end December 2017. For the 2018 financial year, €0.5M of net write-offs were posted, against €11M in 2017, confirming the favorable trend.

Restructured receivables outstanding were limited to €7.3M, a low level, and down on last year (€9.9M at 12/2017), which shows the low risk on Dealer network finance.

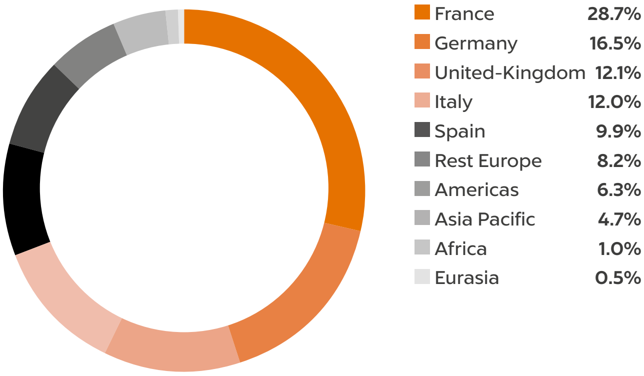
C - DIVERSIFICATION OF CREDIT RISK EXPOSURE

RCI customer performing assets at end December 2018 were up 10.6% at 35.8 billion euros. They are spread over 25 countries, with Europe well represented. Apart from the United Kingdom, all countries are up, with more marked performance in France, Germany, Italy and Spain which, at 2.9 billion euros, contribute to a total increase on 3.4 billion. The weight of G7 countries (IRB approved or included in the approval plan for Brazil) remains stable at 88.6% of total RCI in 2018. The increase shows the momentum of markets where RCI operates, excluding the United Kingdom which saw its share fall from 12.1% in 2017 to 10.8% in 2018.

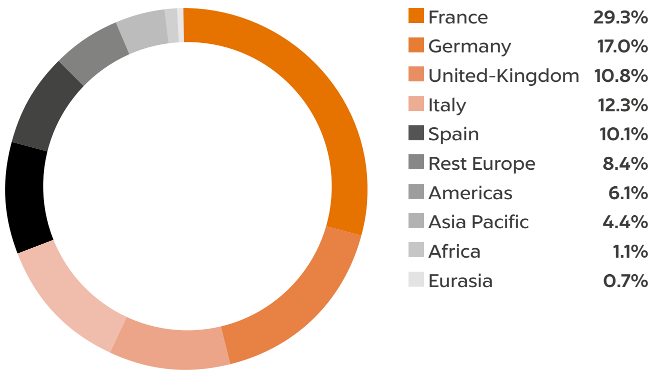
As regards the breakdown per product of customer business, credit accounts for 65% of RCI's outstandings, leasing 32%, and lastly operational leasing 3%.

III.13. Retail credit risk exposure

Retail 12/2017



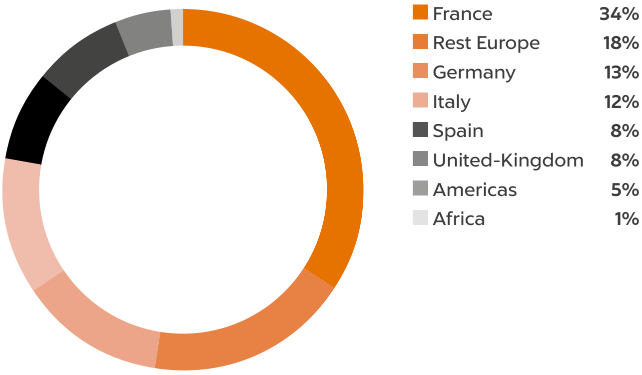
Retail 12/2018



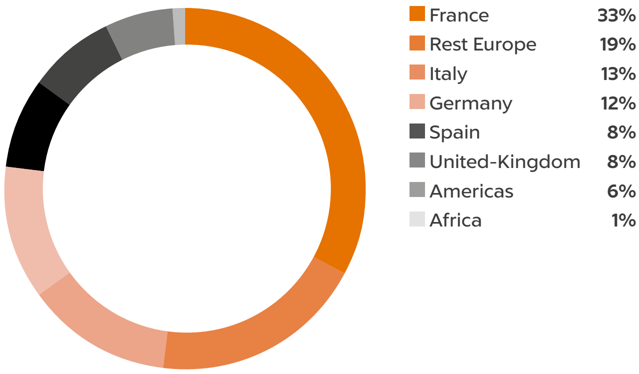
RCI Dealer (wholesale) outstandings are spread over 25 consolidated countries strongly represented by Europe. The weight of each country remained relatively stable. Nevertheless, the weight of Italy is slightly up and it moves into second place after France, with Germany now in third place. The growth of the market in Brazil and the launch of Nissan finance in Argentina is the cause of the slight increase in the weight of America.

III.14. Wholesale credit risk exposure

Wholesale 12/2017



Wholesale 12/2018



D - RISK-WEIGHTED ASSETS

RCI Banque uses the advanced method to measure credit risk for customer outstandings in the following countries: France, Germany, Spain, Italy, South Korea and the United Kingdom. For all other exposures and risks, RCI Banque uses the standardized method.

E - ADVANCED METHOD

RCI Banque has adopted the most advanced methods proposed by the reform known as Basel II/III to measure and monitor its credit risks, all parameters are therefore estimated internally. The values thus measured are applied to calculate exposure risks on the Retail, Corporate and Dealer customers. Six big countries (Germany, Spain, France, Italy, South Korea and United Kingdom) are treated using the advanced approach based on internal ratings.

a) Organization

The tools and processes used to calculate credit-risk-weighted assets, and the publication of statements that optimize credit risk control, are the responsibility of the Customers and Operations division.

Consolidation of the solvency ratio, production of regulation statements and measurement of internal capital are the responsibility of the Accounting and Performance Control division.

b) Information system

The centralized database of risks (BCR) stores credit risk data coming from acceptance, management and accounting applications, on the three markets and for the most significant countries.

This database provides input data for decision-makers to assess risks, and the Risk AuthoritY software package (RAY) calculates the solvency ratio. RAY is also fed by data from the KTP Cristal refinancing operations and consolidation tool.

The data collected and calculated in these information systems is controlled technically and functionally throughout the production line, from gathering information from upstream systems to the end results. These quality controls are monitored monthly at the level of the chain according to the criticality of the data.

Further to an analysis of these controls, action plans have been put in place.

The information system in place provides the data dimensions needed to analyze the ratio. For instance, monthly statements show the components of weighted assets in respect of the advanced method (probability of default, loss given default, exposures, expected losses, etc.) according to several criteria:

- Sound outstandings and defaulted outstandings broken down by type of financing;
- A separation between balance sheet and off-balance sheet exposures;
- A breakdown by country;
- A breakdown by customer category (individuals, self-employed persons, small companies, medium-sized and large companies according to turnover, very big corporations and the dealership network);
- A distribution according to customer characteristics (age of the customer or company, line of business, etc.), according to the characteristics of the financing plan (initial term, amount paid up front, etc.) and according to the characteristics of the financed good (new or used vehicle, models, etc.).

These data dimensions are also used for the monthly analysis of the management cost of risk.

c) Segmentation of exposures by the advanced method

All figures relating to credit risk exposures concern gross exposures, i.e. before application of Credit Conversion Factors and Credit Risk Mitigation techniques.

The RWA density (weighted risks/exposures) totals 39% for the Retail Customer portfolio and 47% for the overall Corporate portfolio using the advanced internal rating method and 99% for the basic internal rating method.

The conversion factors applied to off-balance sheet unit exposures are regulatory rates (exclusively 100%). The calculated average rates are at 100% for the customer financing commitments (representing €1,038m), and 100% for the corporate approvals (representing €488m).

III.15. Credit risk exposures by portfolio and PD range

In millions of euros	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors	Average LGD	Average maturity (Years)	RWA	RWA density	EL	Provisions
Portfolio Corporates FIRB												
0,00 to <0,15	8			8	0.02%	30	45.00%	2.5	1	15.09%		
0.15 to <0.25												
0.25 to <0.50	31			31	0.35%	20	45.00%	2.5	19	62.27%	0	
0.50 to <0.75												
0.75 to <2.50	131			131	1.01%	61	45.00%	2.5	126	96.34%	1	
2.50 to <10.00	53			53	3.41%	9	45.00%	2.5	75	141.06%	1	
10.00 to <100.00	0			0	18.57%	2	45.00%	2.5	0	242.86%	0	
100 (Default)	0			0	100.00%	2	45.00%	2.5			0	
Sub-total Corporate FIRB	**223**			**223**	**1.53%**	**124**	**45.00%**	**2.5**	**222**	**99.24%**	**2**	
Portfolio Corporates AIRB												
0.00 to <0.15	328	66	100%	394	0.03%	491	40.86%	2.1	49	12.39%	0	0
0.15 to <0.25												
0.25 to <0.50	1,245	38	100%	1,215	0.36%	621	17.98%	1.3	232	19.11%	1	-1
0.50 to <0.75	2,383	59	100%	2,025	0.73%	476	16.07%	1.3	438	21.64%	2	-2
0.75 to <2.50	4,055	188	100%	4,160	1.38%	4,150	23.16%	1.3	1,731	41.62%	12	-9
2.50 to <10.00	2,181	92	100%	2,189	5.18%	2,378	23.49%	1.4	1,441	65.83%	24	-15
10.00 to <100.00	439	41	100%	480	24.66%	491	38.90%	1.7	872	181.52%	48	-18
100.00 (Default)	59	4	100%	63	100.00%	137	85.46%	1.8	160	253.98%	41	-26
Sub-total Corporate AIRB	**10,691**	**488**	**100%**	**10,526**	**3.53%**	**8,744**	**23.02%**	**1.4**	**4,924**	**46.78%**	**127**	**-71**
Portfolio Retail												
0.00 to <0.15	2,769	270	100%	3,039	0.12%	490,175	43.47%		382	12.58%	2	-1
0.15 to <0.25	1,516	120	100%	1,636	0.22%	249,098	36.83%		266	16.26%	1	-2
0.25 to <0.50	3,248	87	100%	3,336	0.31%	366,168	47.18%		895	26.84%	5	-4
0.50 to <0.75	4,722	75	100%	4,797	0.53%	379,905	35.56%		1,354	28.23%	9	-14
0.75 to <2.50	9,066	361	100%	9,426	1.18%	754,113	45.10%		4,639	49.21%	51	-79
2.50 to <10.00	2,826	115	100%	2,941	4.47%	227,392	42.57%		1,778	60.46%	56	-55
10.00 to <100.00	835	10	100%	845	26.90%	70,594	44.03%		838	99.20%	102	-104
100.00 (Default)	380	1	100%	380	100.00%	48,388	84.22%		140	36.85%	318	-255
Sub-total Retail	**25,361**	**1,038**	**100%**	**26,399**	**3.39%**	**2,585,833**	**43.17%**		**10,292**	**38.99%**	**544**	**-513**
Total (all portfolios)	**36,275**	**1,526**	**100%**	**37,148**	**3.42%**	**2,594,701**	**37.47%**		**15,437**	**41.56%**	**673**	**-584**

d) Borrower data dimension - Probability of Default (PD) parameter

Monthly revaluation of customer risks is based on:

- A model for ranking the risk of default;
- A method for quantifying the related probability of default.

i) Risk ranking model

The ranking of counterparty risk results from a score that includes both the customer's characteristics and the latter's payment record. The methodology is adjusted to each customer typology to factor in the nature of the available information generally used by business experts to assess the risks.

The table below provides the mapping of the developed models.

ii) Allocation to a class of risk and quantification of the PD related to each class

The rating scales feature a number of classes adjusted to the granularity of the portfolio. Retail customers are divided into ten classes for the sound portfolio and one default class; Corporate and Dealer portfolios are divided into seven classes.

The required degree of reliability for internal rating has nonetheless meant that each "country/customer segment" portfolio has been broken down in a specific manner: for a given segment, the risk attached to a particular class in France, measured by its representative PD, is different from the risk attached to the same class in Spain.

The PD associated with each class is calculated by factoring in historically observed default rates.

III.16. Segmentation of exposures by the advanced method and average PD by country

Category of exposure	IRBA countries	Average sound portfolio PD at 31/12/2018
Retail customers	Germany	1.20%
	Spain	1.25%
	France	1.94%
	Italy	1.44%
	United Kingdom	1.96%
	South Korea	1.04%
Small and medium-sized companies	Germany	2.02%
	Spain	3.78%
	France	3.68%
	Italy	4.29%
	United Kingdom	1.61%
	South Korea	1.41%
Large corporations	Germany	3.44%
	Spain	5.21%
	France	3.19%
	Italy	2.57%
	United Kingdom	1.24%

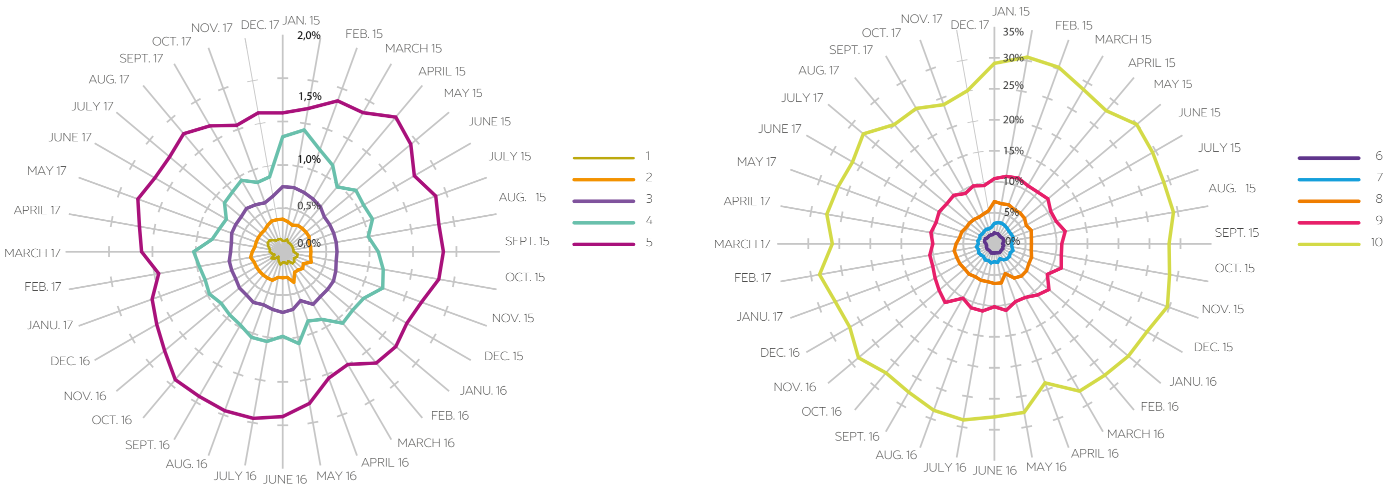
iii) Testing PD models

The figures disclosed in this section come from the backtesting databases, which are in line with the modeling databases. The figures given in the previous sections correspond to the use of parameters, and so there may be differences in management rules. For example, the default rates and PDs derived from the backtesting are based solely on the performing portfolio. In addition, in backtesting, if a counterparty belongs to a consolidation group whose annual sales exceed 50 million euros, the exposure class for the group's components will not be impacted, which can cause volume and allocation differences.

In many countries, backtesting of PD models has underlined that the models can effectively prioritize risks but that they also overestimate PDs per class. It should be noted that the internal backtesting procedures focus on calibrations by class of risk over time and not by class of exposure with PD averages in numbers and not in outstandings.

This is illustrated in the following graphs.

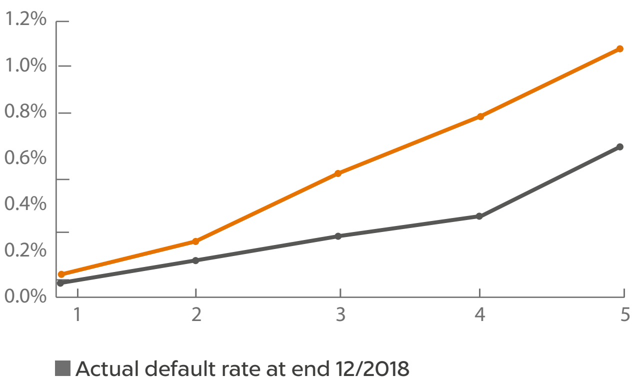
III.17. History of default rates per class



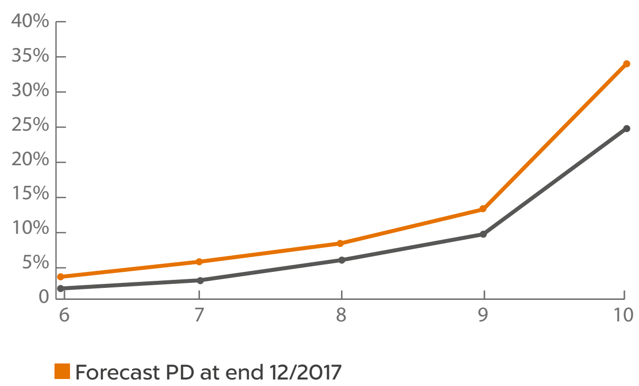
Since the curves by rating class are concentric, the two graphs above enable to conclude that the model is discriminant.

III.18. Consumer PD model for Germany at end-December 2018

Class 1 to 5



Class 6 to 10



The amber curve of calibrated PDs for the range of ratings under consideration is strictly above the actual default rate observed. The Consumer PD model for Germany is therefore adequately calibrated at the end of December 2018.

When external ratings are available (i.e. for the very big French corporations), a migration matrix between internal and external ratings is calculated for backtesting exercises. An annual match rate is calculated according to the following two scenarios: without a rating difference and with a rating difference in absolute value (nearly 99%).

III.19. IRB approach – Backtesting of PD per exposure class

Exposure class	At the end of previous year (31/12/2017)		Number of obligors		Default obligors in the year 2018	Of which new obligor	AVERAGE historical annual defaut rate
	Weighted average PD	Arithmetic average PD by obligors	End of previous year (31/12/2017)	End of the year (31/12/2018)			
Retail individuals	1.07%	1.51%	2,186,539	2,410,984	20,500	1,349	1.17%
SME	4.02%	3.40%	154,511	168,483	3,065	367	2.72%
Large companies	1.69%	1.86%	1,761	1,822	9	0	0.49%
Dealers	2.03%	2.50%	1,988	1,932	18	0	1.56%

In accordance with RCI practice, the historical average captures maximum historical depth and is therefore not restricted solely to the last five years.

Across all exposure class, PDs are greater than the default rate. Moreover, quarterly backtesting of PD models, enables to ensure internal models performance: conservatism, discriminatory power and stability.

e) Transaction data dimension – Loss given default (LGD) parameter

Economic losses are estimated using discounted recovery flows for Retail Customers and Corporates, or debt write-offs for the car dealers, on the basis of historical data generally going back at least 7 years. Recovery costs are factored in according to the management phases involved. After analysis, transactions have been grouped into segments representing homogeneous loss levels. The quantifying of these losses per segment results from a statistical model the main vectors of which are a generational analysis of recoveries and the speed of collection.

III.20. Segmentation of exposures by the advanced method and average LGD by country

Category of exposure	IRBA countries	Population group segmentation	Type of model	Intenal/External model	Average sound portfolio LGD at 31/12/2017	Average loss computed at the last backtesting
Retail individuals SME Large companies	**France**	Credit	Statistical	Internal	43.10%	43.00%
		Leasing			43.80%	43.60%
	Germany	Credit	Statistical	Internal	23.60%	22.60%
		Leasing			33.10%	32.00%
	Spain	Credit VN	Statistical	Internal	44.50%	40.40%
		Credit VO			61.00%	45.50%
		Leasing			40.40%	36.97%
	Italy	Single segment	Statistical	Internal	50.20%	50.93%
	United Kingdom	Single segment	Statistical	Internal	49.30%	40.79%
	South Korea	Single segment	Statistical	Internal	54.90%	49.70%
Dealers	**G5(*)**	R1 VN	Combined	Internal	12.10%	6.56%
		R1 others			22.90%	5.35%
		R2			21.00%	14.42%

(*) G5 : France, Germany, Spain, Italy, United Kingdom.

The LGDs are updated yearly to factor in the most recent information when estimating the parameter. The principle of LGD backtesting is to compare the long run average of loss rate and the LGD calibrated in the previous year. One concludes about the conservatism calibration since LGD levels are systematically higher than the observed loss rate average.

The average loss given defaults on the sound portfolio is 42.50% for Retail Customers and 27.22% for the Corporate segment, the latter breaking down as 44.01% for non-Dealer companies and 15.40% for the Dealers.

Customer expected loss (EL) increased by 17.2% compared to December 2017 (+ €80.0 million), due to both sound and defaulted EL:

- Default EL (up by 14.3%): the variation is mainly attributable to the rise in the defaulted portfolio amount (€380 million in December 2018 versus €341 million in December 2017) and number (+7.2%) over the period. Moreover LGD on default portfolio raised (by 101 bps), contributing to the increase in the default EL.
- Sound EL (up by 21.5%): the rise is mainly due to the sharp increase in Customer outstandings amid growing business for the Alliance brands, combined with increases in RCI penetration and in the average amount financed. At the same time, LGD slightly increased over the period (+42bps) while the increase in PD (+7bps) was related to the application of additional prudential margins in its calculation, thereby contributing to the rise in Sound EL.

f) Operational use of internal ratings

i) Customers

• Granting policy

Customers applying for financing plans are systematically rated; this situation, which pre-dated the “Basel” ratings on certain market segments, consumers in particular, has been systematized with the introduction of Basel III. This sets the initial direction of the application in the decision-making process, the study process concentrating on “intermediary” risks. Beyond the operational process, the acceptance policy is regularly adjusted according to default rates and a break-even analysis by level of probability of default and loss given default.

• Debt collection

The statistical models used to calculate weighted risks and expected loss enable probability of default determined at the time of granting to be updated monthly by factoring in the customer’s payment record. This updating, which provides a clear vision of expected loss of the portfolio as part of the “budget process” is also a tool increasingly used to forward plan the activity of out-of-court and disputed debt collection platforms. On the basis of the same customer information, “recovery scores” have been deployed in Spain and South Korea to make the process more efficient.

ii) Dealers

In the Dealers segment, all counterparties are systematically rated. All the rating components, or the rating itself, are included in the key operational processes of acceptance, management and monitoring of the activity and the risks.

Provisioning for the Wholesale financing activity is based on a categorization of the counterparties, individually, and on the basis of an examination of objective impairment indicators. The internal rating is the basis for this differentiation.

g) Procedures for monitoring internal ratings

The results of the internal rating process, the performance of the models and the main data items making it up are monitored monthly by the modeling teams.

At least once a year, observed changes lead to a formal analysis according to a standard protocol described in a procedure.

Differences between the models’ forecasts and the actual figures are analyzed and summarized in a formal report that also includes a quantification of the impact on the capital requirement.

Elements of the performance of the rating models are also reported twice a year to the Executive Committee during a dedicated presentation.

The various elements of internal rating and of tests of the process produced by the modeling teams are reviewed independently by the model validation team of the Risk Control Unit to ensure their adequacy and their regulatory compliance.

III.21. RWA flow statements of credit risk exposures under the IRB approach

The purpose of this section is to depict the root cause of RWA variation by quarterly step.

In millions of euros	RWA amounts	Capital requirements
RWA at 30/06/2018	**15,486**	**1,239**
Asset size	-241	-19
Asset quality	-144	-12
Model updates	132	11
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-3	0
Other	0	0
RWA at 30/09/2018	**15,229**	**1,218**

In millions of euros	RWA amounts	Capital requirements
RWA at 30/09/2018	**15,229**	**1,218**
Asset size	317	25
Asset quality	-90	-7
Model updates	0	0
Methodology & policy	0	0
Acquisitions and disposals	0	0
Foreign exchange movements	-19	-1
Other	0	0
RWA at 31/12/2018	**15,437**	**1,235**

Between June 2018 and September 2018, RWAs were down slightly due to the fall in outstandings. The update of models will offset the fall.

The upward variation in RWAs between the last two quarters is due to the increase in outstandings on the portfolio under the advanced model and the customer segments mix.

F - STANDARDIZED METHOD

The credit risk exposures treated using the standardized method comprise financed sales outstandings of subsidiaries not treated using the advanced method, debts to credit institutions and central banks, and all other consolidated assets that are not credit obligations.

In order to calculate the capital requirement for credit risk under the standardized method, RCI Banque uses Moody's, the external credit rating agency, for sovereigns, international organizations, and corporate establishments and investments. Reconciliation of these ratings with the credit quality steps provided for under the regulations complies with the supervisor's requirements. Beyond this framework, there is no use of any external rating that cannot be applied directly. As regards unrated exposures, the RCI Banque group applies the regulatory weightings in accordance with the CRR.

For hedge transactions, the values of counterparty credit risk exposures on interest-rate or forex derivatives are determined by the market price method, adding, to the current replacement cost, the potential future credit exposure based on the remaining term. Such transactions still concern countries not covered by EMIR regulations.

III.22. Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects

In millions of euros	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
Central governments or central banks	3,226	23	3,226	12	633	19.55%
Regional government or local authorities	53	7	53	3	24	42.16%
Public sector entities	21		21		21	100.00%
Multilateral development banks						
International organisations	15		15			
Institutions	1,119	24	1,119	9	260	23.06%
Corporates	5,498	429	5,337	398	5,659	98.66%
Retail	5,940	377	5,940	263	4,452	71.76%
Secured by mortgages on immovable property						
Exposures in default	91	4	78	3	97	119.77%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	44	47	44	9	21	40.60%
Collective investment undertakings						
Equity	223		223		480	215.28%
Other items	1,350	2	1,350	2	1,101	81.48%
Total	**17,579**	**913**	**17,405**	**701**	**12,748**	**70.41%**

CRM: Credit Risk Mitigation.
CCF: Credit Conversion Factor.

III.23. Standardized approach – Exposures by asset classes and risk weights

In millions of euros	Risk weight															
Asset classes	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1 250%**	**Others**	**Deducted**	**Total**	**of which unrated**
Central governments or central banks	2,695				2		195		220		126					3,238	5
Regional government or local authorities					41				16							56	56
Public sector entities									21							21	21
Multilateral development banks																	
International organisations	15															15	
Institutions					1,029		88		10							1,127	1,026
Corporates					33		73		5,629	0						5,736	5,629
Retail								6,203								6,203	6,203
Secured by mortgages on immovable property																	
Exposures in default									49	32						81	81
Higher-risk categories																	
Covered bonds																	
Inst. and corporates with a ST credit assessment					44		0			8						53	8
Collective investment undertakings																	
Equity									52		171					223	223
Other items	0				313				1,039							1,352	1,352
Total	**2,710**				**1,463**		**355**	**6,203**	**7,036**	**41**	**297**					**18,105**	**14,605**

G - CREDIT RISK MITIGATION TECHNIQUES

The RCI Banque group does not use netting agreements to reduce the commercial credit risk.

Mitigation techniques are allowed only in the form of cash and used solely according to the two agreements below in order to hedge the credit risk specific to the manufacturers' distribution network.

For exposures treated by the internal rating method, the capital requirements in respect of credit risk include financial collateral (in the form of a cash pledge agreement) amounting to €700m granted by manufacturer Renault and protecting RCI Banque against the risk of the Renault subsidiaries defaulting on inventory financing. This protection is spread evenly over each exposure in the relevant scope by RAY's data processing.

At the end of December 2018 and after application of the discount relating to the asymmetry of currencies, the impact on the value of €659m of exposures (corporate category only) totaled €654m.

With the standardized method, capital requirements in respect of credit risk include financial collateral (in the form of Letras de Cambio) protecting Brazilian subsidiary Banco RCI Brasil against the risk of default of its network of dealerships, for a total of €169m at the end of December 2018, reducing exposures to €13m for the corporate category, to €161m for SMEs, and to under €1m for retail customer companies. This protection is allocated individually to each exposure concerned.

III.24. Effect on RWA of credit derivatives used as CRM techniques

In millions of euros	Pre-credit derivatives RWA	Actual RWA
Exposures under FIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs		
Corporates – Specialised lending		
Corporates – Other	222	222
Exposures under AIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs	1,066	1,066
Corporates – Specialised lending		
Corporates – Other	3,858	3,858
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs		
Retail – Qualifying revolving		
Retail – Other SMEs	1,230	1,230
Retail – Other non-SMEs	9,063	9,063
Equity IRB		
Other non credit obligation assets		
Total	**15,437**	**15,437**

H - COUNTERPARTY CREDIT RISK

COUNTERPARTY RISK MANAGEMENT

RCI Banque is exposed to non-commercial credit risk (or counterparty risk), which arises in the management of its disbursements and its investments of cash surpluses, as well as the management of its foreign exchange risk or interest rate hedges, in the event that the counterparty were to default on its commitments in such types of financial transactions.

Counterparty risk is managed by a limit system set by RCI Banque, then validated by its shareholder as part of Groupe Renault's counterparty risk consolidation. Limits are calibrated using an internal method based on the amount of own equity, the "long term" rating by rating agencies and appraisal of the quality of the counterparty. They are monitored daily and all control results are notified monthly to the RCI Banque's financial committee and are included in Groupe Renault consolidated counterparty risk monitoring.

Counterparty risk mitigation techniques are used for market transactions to protect the company in part or in full against the risks of insolvency of counterparties.

- RCI Banque negotiates its interest rate and forex derivatives used as asset and liability hedges under an ISDA or FBF agreement and thereby has a legally enforceable right in case of default or a credit event (see Note 20 to the consolidated financial statements: Netting agreements and other similar commitments). In 2012 the EMIR (European Market Infrastructure Regulation) regulation published a series of measures designed to improve the stability and transparency of the derivatives market. The main measure concerns the use of clearing houses for transactions on derivatives and the collateralization of the said transactions. RCI Banque books standardized interest-rate swap transactions in clearing houses. These transactions consist in deposits of an initial margin and regular exchanges of collateral in respect of variation margins.
- Investments in securities are not hedged, in order to reduce credit exposure.

RCI Banque has no particular mechanism for managing correlation risk.

If its credit rating is downgraded, RCI Banque may be led to fund additional reserves as part of its securitization transactions. At 31 December 2018, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €98 million.

EXPOSURE TO COUNTERPARTY CREDIT RISK

III.25. Analysis of counterparty credit risk (CCR) exposure by approach

In millions of euros	Notional	Replacement cost/current market value	Potential future exposure	EEPE	Multiplier	EAD post-CRM	RWA
Mark to market							
Original exposure							
Standardised approach		215				215	65
IMM (for derivatives and SFTs)							
Of which securities financing transactions							
Of which derivatives and long settlement transactions							
Of which from contractual cross-product netting							
Financial collateral simple method (for SFTs)							
Financial collateral comprehensive method (for SFTs)							
VaR for SFTs							
Total							**65**

RWAs on counterparty credit risk are based on exposure on derivatives, to which an add-on is allocated.
The exposure is then weighted by risk in accordance with the standard method – based on counterparties' credit quality.

III.26. Standard approach – CCR exposures by regulatory portfolio and risk weights

	Risk weight									
In millions of euros	0%	10%	20%	50%	75%	100%	150%	Others	Total	Of which unrated
Central governments or central banks										
Regional government or local authorities										
Public sector entities										
Multilateral development banks										
International organisations										
Institutions			27	27					54	24
Corporates			0	0		7	0		8	7
Retail										
Inst. and corporates with a ST credit assessment			4	0					4	
Other items										
Total			**31**	**27**		**7**	**0**		**65**	**31**

III.27. Impact of netting and collateral held on exposure values

In millions of euros	Gross FV or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	215	0	215	62	153
SFTs					
Cross-product netting					
Total	**215**	**0**	**215**	**62**	**153**

III.28. Composition of collateral for exposures to CCR

In millions of euros	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency		61	38	2		
Cash – other currencies		1	6			
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						10
Total		**62**	**44**	**2**		**10**

III.29. Exposures to CCPs

In millions of euros	EAD (post-CRM)	RWA
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)		**9**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	6	1
(i) of which OTC derivatives	*6*	*1*
(ii) of which Exchange-traded derivatives		
(iii) of which Securities financing transactions		
(iv) of which Netting sets where cross-product netting has been approved		
Segregated initial margin	38	
Non-segregated initial margin		
Prefunded default fund contributions		
Alternative calculation of own funds requirements for exposures		
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions)		
(i) of which OTC derivatives		
(ii) of which Exchange-traded derivatives		
(iii) of which Securities financing transactions		
(iv) of which Netting sets where cross-product netting has been approved		
Segregated initial margin		
Non-segregated initial margin		
Prefunded default fund contributions		
Unfunded default fund contributions		

IV - CREDIT VALUATION ADJUSTMENT RISK

For all over-the-counter derivatives, if derivatives recognized as credit protection are not used, the RCI Banque group determines a capital requirement for "Credit valuation adjustment" (CVA) risk.

This capital charge is designed to cover losses in the event of downgraded quality of the counterparty, entailing a decrease in the value of the derivatives.

The requirement is calculated by the standardized method defined in Article 384 of regulation (EU) 575/2013.

IV.1. Credit valuation adjustment (CVA) capital charge

In millions of euros	Exposure value	RWA
Total portfolios subject to the Advanced CVA capital charge		
(i) VaR component (including the 3×multiplier)		
(ii) Stressed VaR component (including the 3×multiplier)		
All portfolios subject to the Standardised CVA capital charge	206	136
Based on the original exposure method		
Total subject to the CVA capital charge	**206**	**136**

V - SECURITIZATION

RCI Banque uses securitization as an instrument of diversification of its refinancing. RCI Banque acts exclusively with a view to refinancing its activities and does not invest in special purpose vehicles whose underlying obligations are originated by non-group companies.

In respect of its refinancing activities, the group securitizes some of its pools of receivables granted to individual customers or companies. Securities created for such transactions allow the group either to refinance itself or to increase its pool of assets that can be used as collateral with the European Central Bank.

In respect of prudential regulations, no transfer of risk deemed significant has been observed further to these transactions. They have no impact on the group's regulatory capital. Vehicles bearing assigned receivables are consolidated by the group. The group remains exposed to most of the risks and benefits attached to such receivables; furthermore, the latter cannot in parallel be the subject of a guarantee given or firm assignment as part of another transaction.

The group's securitization transactions all meet the economic capital retention requirement of not less than 5% mentioned in Article 405 of European Directive (EU) 575/2013.

The sales refinancing receivables retained in the balance sheet totaled €11,010m on 31 December 2018 (€10,391m on 31 December 2017), namely:

- for securitizations placed on the market: €1,143m
- for self-subscribed securitizations: €7,046m
- for private securitizations: €2,821m

The stock of securitized assets is itemized in Note 13 of the consolidated financial statements. At 31 December 2018, funding secured through private securitizations totaled €1,784m, and funding secured through public securitizations placed on the markets totaled €997m.

VI – MARKET RISK

A - THE MARKET RISK MANAGEMENT PRINCIPLE

The goals and strategies pursued by RCI Banque in connection with market risk are described in the part entitled "Consolidated financial statements – financial risks" – Appendix 2.

In the absence of a trading book, all the market risk arises from the group's foreign exchange position. This is explained by the structural foreign exchange exposure on the equity interests in subsidiaries outside the Eurozone. RCI Banque is exposed to the risk of variation in foreign exchange parities that can adversely affect its financial position.

The specific market risks control process is part of the RCI Banque group's overall internal control process.

B - GOVERNANCE AND ORGANIZATION

For the RCI Banque group's entire scope of consolidation, the management of market risks (overall interest rate risk, liquidity and foreign exchange risk) and due observance of the related limits are placed under the supervision of RCI Banque's Financing and Group Treasury division, which manages them directly for subsidiaries refinanced centrally or indirectly through a reporting process and monthly committee meetings for subsidiaries refinanced locally. The system of limits that controls the process is approved by the Board of Directors and periodically updated.

A list of authorized products, approved by RCI Banque's Financial Committee, specifies the foreign exchange and interest rate instruments and the nature of currencies liable to be used for market risk management purposes.

C - MEASUREMENT, MONITORING AND PRUDENTIAL TREATMENT

The Financial Risks Team, attached to the Risk and Banking Regulation Department (Risk and Compliance Division), issues a daily report and monitors the group's exposure to financial risks.

Since May 2009, RCI Banque has been authorized by the French Prudential Supervision and Resolution Authority to exclude long-term and structural assets from its foreign exchange position. Accordingly, as the foreign exchange position is under the 2% threshold of own funds as defined in Article 351 of Regulation (EU) 575/2013, RCI Banque does not calculate capital requirements in respect of foreign exchange risk.

D - EXPOSURE

The sales financing entities are obliged to refinance themselves in their own currency and are thus not exposed to foreign exchange risk. RCI Banque's residual exposure on other assets and liability items (e.g. ICNE on loans in foreign currencies) is not material for RCI Banque. At 31 December 2018, the RCI Banque group's consolidated foreign exchange position totaled €9.2 million.

Finally, the own funds and annual earnings of RCI Banque entities outside the Eurozone are themselves subject to foreign exchange fluctuations and are not specifically hedged.

VII - INTEREST-RATE RISK FOR PORTFOLIO POSITIONS

A - ORGANIZATION OF INTEREST RATE RISK MANAGEMENT

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin. The objective of the RCI Banque group is to mitigate this risk as far as possible in order to protect its mark-up. The specific interest rate risk control process is part of the RCI Banque group's overall internal control process. The goals and strategies pursued by RCI Banque in connection with the interest rate risk are described in the part entitled "Consolidated financial statements – financial risks" – Appendix 2.

B - GOVERNANCE AND ORGANIZATION

The Financing and Group Treasury division refinances group entities that are eligible for centralized refinancing. It borrows the funds needed to ensure the continuity of business (bond and negotiable debt instrument issues, securitizations, interbank loans, etc.), balances assets and liabilities and adjusts the cash position of group companies, while managing and minimizing exposure to portfolio interest rate risk by using appropriate hedging instruments (interest rate swaps, cross-currency swaps and spot and forward exchange transactions). The principles of financial policy extend to all RCI Banque group consolidated subsidiaries and are adapted in locally refinanced subsidiaries. The latter are subject to the same financial risk monitoring requirements as the group's other subsidiaries: compliance with interest rate and forex risk limits, monitoring liquidity risk, limiting counterparty risk and specific monitoring by a dedicated Financial Committee and ad hoc reporting.

Transactions in financial instruments made by the RCI Banque holding company essentially relate to its function as the group's central refinancing service. In order to take into account the difficulty of precisely adjusting the structure of borrowings with that of loans, limited flexibility is accepted in interest rate risk hedging for each subsidiary. This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the Financial Committee, an individual adaptation of the overall limit set by RCI Banque's Board of Directors.

A group management system performs a daily calculation of each entity's balance sheet sensitivity to variations in yield curve.

The Financial Risks Team controls group exposure as measured by this system and observance of the sensitivity limits assigned to each entity.

C - MEASUREMENT AND MONITORING

Interest rate risk is monitored on a daily basis: a sensitivity calculation per currency, per management entity and per asset portfolio verifies that each entity complies with the individual limits assigned to it. This sensitivity to interest rate risk is measured using a methodology common to the entire RCI Banque group. The process keeps overall group exposure and the exposure of each entity at a low level.

The indicator monitored internally, EV sensitivity (Economic Value), consists in measuring at a given point in time (t) the impact of a change in interest rates on the market price of an entity's balance sheet flows. The market price is determined by the discounting of future cash flows at the market rates at point t. This measurement is used to set the limits that apply to the group's entities.

In accordance with regulatory changes (EBA/GL/2018/02), RCI Banque also measures:

- 12-month sensitivity of the net interest income (NII - indicator framed by internal limits),
- Sensitivity of the net interest income (NII) over the whole of the balance sheet gap (indicator framed by internal limits),
- Sensitivity of the economic value of equity (EVE – indicator without allocated limits).

Different yield curve variation scenarios are considered, including different shocks of which:

- The shock of 100 bps, used for the management of internal limits,
- The standard shock of 200 bps, defined by regulatory guidelines,
- The shock following a 50 bps yield curve rotation around the 2-year point.

Calculations are based on average monthly asset and liability gaps (gap excluding interest amounts) which incorporate fixed-rate transactions and floating rate transactions until their next review date.

Maturities of outstanding are determined by taking into account the contractual characteristics of operations and the results of the modeling of historical customer behavior patterns (early repayment, etc.). Sight deposits are considered as variable rate resources indexed to the local base rate. Measurements of NII sensitivity also take into account an allocation of entity own funds to the financing of the longest term commercial assets.

Sensitivity is calculated daily per currency and per management entity (central financing office, French and foreign financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk Team, which reports to the Risk and Banking Regulation Department. The situation of each entity, with regard to its limit, is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate. The results of the controls are the subject of monthly reporting to the Financial Committee, which verifies due observance of the limits by the group's various entities, and of current procedures. Interest rate risk measurement indicators are presented quarterly to the Board of Directors' Risk Committee.

D - EXPOSURE

Over the year 2018, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group at €50m in the event of a uniform shock of 100 bps on the whole of the yield curve.

Breakdown by currency of the sensitivity to NII following a 100- bps rise in rates (in MEUR) at 31 December 2018:

- +€3.4m in EUR,
- +€1.4m in MAD,
- +€0.8m in GBP,
- -€0.3m in KRW,
- -€0.4m in BRL,
- -€0.4m in CZK,
- -€0.7m in CHF.

At 31 December 2018, the sum of sensitivities in each currency totaled €4.6m, of which -€14.2m for the 12-month NII. The sum of the absolute values of sensitivities in each currency totaled €7.8m.

VII.1. Quantitative information on changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios

In millions of euros	EVE		NII 12 months	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
Parallel up 200 bp	-405	-368	-39	-43
Parallel down 200 bp	380	342	28	33
Steepener	59	45		
Flattener	-123	-103		
Short rate up	-279	-246		
Short rate down	253	220		
Maximum (absolute values)	405	368	39	43

	31/12/2018	31/12/2017
Prudential Tier 1 capital	**4,920**	**4,422**

The calculations above have been carried out on the basis of assumptions standardized by the EBA. The difference recorded between an upward shock and a symmetrical downward shock is due to the longer pricing adjustment period in the first instance.

The impact of an adverse interest rate movement on the net interest margin for the next twelve months is low, in line with the company's prudent management objectives. It is as a result significant for the Economic Value of Equity or EVE, an indicator which by definition does not take own funds into account, unlike the daily operational asset-liability management of interest rate risk.

VIII - LIQUIDITY RISK

A - THE LIQUIDITY RISK MANAGEMENT PRINCIPLE

Liquidity risk is defined as the risk of not being able to meet one's cash outflows or collateral requirements at a reasonable cost when they fall due. As liquidity is a rare resource, RCI Banque has a duty to have sufficient funds at all times to guarantee the continuity of its activity and development.

RCI Banque regularly strengthens its liquidity risk management process while complying with EBA recommendations. The Board of Directors and its Risks Committee approve the ILAAP ("Internal Liquidity Adequacy Assessment Process") and its procedural framework. These documents define the principles, standards and governance for liquidity risk management and the indicators and limits monitored within the RCI Banque group.

The group aims to optimize its cost of refinancing while controlling its liquidity risk and complying with regulatory requirements. RCI Banque also aims to have multiple sources of liquidity. As such, the financing plan is constructed with a view to diversifying liabilities, per product, currency and maturity.

B - GOVERNANCE AND ORGANIZATION

Liquidity risk management principles and standards are laid down by the group's governance bodies:

- The Board of Directors sets the liquidity risk tolerance level with regard to risk appetite and regularly examines the group's liquidity position. It approves the methodology and the limits, and approves the annual bond issue ceiling.
- The Financial Committee, the group's financial risks monitoring body, controls liquidity risk according to the appetite for risk defined by the Board of Directors.
- The Finance and Group Treasury division implements liquidity management policy and fulfils the financing plan by factoring in market conditions, in accordance with internal rules and limits.
- Due observance of the limits is monitored by the Financial Risks Control unit.

As the Board of Directors and the Risks Committee have approved a low level of appetite for liquidity risk, the group sets itself strict internal standards to enable RCI Banque to maintain business continuity over a given period in stress scenarios. The Financial Committee is informed every month of the time frame during which the company can continue its business using its liquidity reserve in various stress scenarios. These scenarios include assumptions about mass withdrawals of deposits, lost access to new funding, partial unavailability of certain items of the liquidity reserve and forecasts of new credit production. The stressed mass withdrawals of deposits scenario is very conservative and is regularly backtested.

An established emergency plan identifies the action required in the event of stress on the liquidity position.

C - MEASUREMENT AND MONITORING

The liquidity risk management process relies on risk indicators monitored every month by the Financial Committee. These indicators are based on the following elements:

Static liquidity

This indicator measures the gap between assets and liabilities on a given date without an assumed renewal of liabilities or assets. It materializes the static liquidity "gaps". The group's policy is to refinance its assets with liabilities having the same or longer maturities, thereby maintaining positive static liquidity gaps over the entire balance sheet.

The liquidity reserve

The group constantly aims to have a liquidity reserve consistent with the appetite for liquidity risk. The liquidity reserve comprises short term financial assets, high-quality liquid assets (HQLA), financial assets, collateral eligible for European Central Bank monetary policy transactions and confirmed bank lines of credit. It is reviewed by the Financial Committee every month.

Stress scenarios

The Financial Committee is informed every month of the time frame during which the company can continue its business using its liquidity reserve in various stress scenarios. These scenarios include assumptions about mass withdrawals of deposits, lost access to new funding, partial unavailability of certain items of the liquidity reserve and forecasts of new credit production. The stressed mass withdrawals of deposits scenario is very conservative and is regularly backtested.

D - REGULATORY RATIOS AND CHARGES ON ASSETS

Control of the group's liquidity also aims to meet regulatory liquidity coverage ratios (LCRs) and charges on assets (encumbered and unencumbered assets).

Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) sets a minimum standard for bank liquidity. It is intended to ensure that a bank has an adequate level of unencumbered High Quality Liquid Assets (HQLA), which can be converted into cash to enable it to meet its liquidity needs for 30 calendar days in a stress scenario. The LCR is thus defined as the ratio of HQLAs to net cash outflows over the next 30 days. Net outflows represent the expected outflows less expected inflows or 75% of expected outflows, whichever is the lower.

RCI Banque's liquidity is managed by the Finance and Treasury Division that centralizes funding for European entities and oversees balance sheet management for all group entities throughout the world.

For each quarter, the following table shows the average values of HQLAs, Inflows and Outflows calculated as the simple average of month-end observations over the twelve months preceding the end of each quarter.

The bank's average HQLA during the 12-month period ending on 31 December 2018 was €1,557m. It amounted to €1,470m on average during the 12-month period ending on 30 September 2018. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals. On 31 December 2018, the average duration of the bond portfolio was close to one year and half.

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

Over the 12-month period ending on 31 December 2018, EUR and GBP denominated HQLA represented on average 81.3% and 10.7% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on September 2018, which were 78.9% for EUR and 12% for GBP.

RCI Banque Inflows mainly come from commercial and financial assets, while Outflows are mostly explained by debt repayment and the deposit run-off factor.

The liquidity requirement linked to derivative transactions is limited and represents non-material amounts.

The average LCR over the 12-month period ending on 31 December 2018 came at 237%, compared to 218% on average over the 12-month period ending on 30 September 2018.

VIII.1. Liquidity Coverage Ratio (LCR)

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	**31/03/2018**	**30/06/2018**	**30/09/2018**	**31/12/2018**	**31/03/2018**	**30/06/2018**	**30/09/2018**	**31/12/2018**
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets (HQLA)								
Total high-quality liquid assets					**1,256**	**1,402**	**1,470**	**1,557**
Cash Outflows								
Retail deposits and deposits from small business customers	11,161	11,743	12,243	12,472	1,166	1,226	1,278	1,303
Stable deposits								
Less stable deposits	*11,161*	*11,743*	*12,243*	*12,472*	*1,166*	*1,226*	*1,278*	*1,303*
Unsecured wholesale funding	804	810	764	714	649	640	583	521
Operational deposits and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	258	282	301	323	103	113	120	129
Unsecured debt	546	528	463	392	546	528	463	392
Secured wholesale funding					62	65	56	49
Additional requirements	159	169	172	180	159	169	172	180

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	31/03/2018	30/06/2018	30/09/2018	31/12/2018	31/03/2018	30/06/2018	30/09/2018	31/12/2018
Outflows related to derivative exposures and other collateral requirements	*159*	*169*	*172*	*180*	*159*	*169*	*172*	*180*
Outflows related to loss of funding on debt products								
Credit and liquidity facilities								
Other contractual funding obligations	1,515	1,539	1,552	1,506	441	478	480	461
Other contingent funding obligations	2,509	2,587	2,628	2,643	125	129	131	132
Total Cash Outflows					**2,602**	**2,707**	**2,701**	**2,645**
Cash Inflows								
Secured lending (eg reverse repos)								
Inflows from fully performing exposures	4,166	4,108	4,037	4,076	2,403	2,382	2,335	2,346
Other cash inflows	2,368	2,255	2,259	2,235	778	743	745	732
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) (Excess inflows from a related specialised credit institution)								
Total Cash Inflows	**6,534**	**6,363**	**6,296**	**6,311**	**3,180**	**3,125**	**3,080**	**3,078**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75% Cap	*6,534*	*6,363*	*6,296*	*6,311*	*3,180*	*3,125*	*3,080*	*3,078*
Total HQLA					1,256	1,402	1,470	1,557
Total net Cash Outflows					651	677	675	661
Liquidity Coverage Ratio					**194%**	**207%**	**218%**	**237%**

(Un) encumbered assets

An asset is deemed "encumbered" if it serves as a guarantee or is used to securitize, collateralize or improve a transaction from which it cannot be separated. In contrast, an "unencumbered" asset is not subject to any legal, regulatory or contractual restriction limiting the institution's ability to do what it wants with it.

By way of example, the following types of contracts match the definition of encumbered assets:

- Assets sold to securitization vehicles when the said assets have not been derecognized by the company.
  The assets underlying self-subscribed securitizations are not considered encumbered, unless the securities are used as security or to guarantee another transaction in any manner (financing in its dealings with the central bank for instance),
- The collateral designed to reduce the counterparty risk on derivatives registered in a clearing house or bilaterally negotiated,
- Secured financing.

Disclosure on encumbered and unencumbered assets in the following three tables is calculated in accordance with EBA/GL/2014/03 guidelines. Reported figures are the median values of quarterly data on a rolling basis over the previous twelve months. Over the period ending on 31 December 2018, the median amount of assets encumbered in the form of disposals to a securitization vehicle or guarantee given is €7,685m, making up 15% of total assets.

VIII.2. Encumbered and unencumbered assets

In millions of euros	Carrying amount of encumbered assets	ow notionally elligible EHQLA and HQLA	Fair value of encumbered assets	ow notionally elligible EHQLA and HQLA	Carrying amount of unencumbered assets	ow notionally elligible EHQLA and HQLA	Fair value of unencumbered assets	ow notionally elligible EHQLA and HQLA
Assets of the reporting institution	**7,685**				**44,689**	**1,889**		**1,889**
Loans on demand	480				2,169	1,299		1,299
Equity instruments	6		6		56		56	
Debt securities	68		68		1,754	590	1,754	590
ow: covered bonds								
ow: asset-backed securities								
ow: issued by general governments	*2*		*2*		*495*	*440*	*495*	*440*
ow: issued by financial corporations	*22*		*22*		*1,084*	*70*	*1,084*	*70*
ow: issued by non-financial corporations	*35*		*35*		*64*		*64*	
Loans and advances other than loans on demand	7,062				38,234			
Other assets	70				2,475			

VIII.3. Collateral received

In millions of euros	FV of encumbered collateral received or own debt securities issued	ow notionally elligible EHQLA and HQLA	FV of collateral received or own debt securities issued available for encumbrance	ow notionally elligible EHQLA and HQLA
Collateral received by the reporting institution			**887**	
Loans on demand			868	
Equity instruments				
Debt securities				
ow: covered bonds				
ow: asset-backed securities				
ow: issued by general governments				
ow: issued by financial corporations				
ow: issued by non-financial corporations				
Loans and advances other than loans on demand				
Other assets			19	
Own debt securities issued other than own covered bonds or ABSs				
Own covered bonds and asset-backed securities issued and not yet pledged				
Total assets, collateral received and own debt securities issued	**7,685**			

Collateral received reported as “on demand” as the guarantee can be activated immediately after default.

VIII.4. Encumbered assets/collateral received and associated liabilities

In millions of euros	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**5,277**	**7,712**
Derivatives	77	65
Deposits	2,460	3,299
Debt securities issued	2,740	4,348
Other sources of encumbrance		

IX - OPERATIONAL AND NON-COMPLIANCE RISKS

A - OPERATIONAL AND NON-COMPLIANCE RISK MANAGEMENT

RCI Banque is exposed to risks of loss ensuing either from external events or from inadequacies and shortcomings in its internal processes, staff or systems. The operational risk to which RCI Banque is exposed includes among other things the risks relating to events that are very unlikely to occur but that have a high impact, such as the risk of business interruption due to the unavailability of premises, staff or information systems.

The operational risk management system covers all of the RCI Banque group's macro-processes and includes the following tools:

- The mapping of operational risks, deployed in all consolidated subsidiaries of the RCI Banque group, helps to identify operational risks and the management rules whereby processes are kept under control. It is updated annually by the business line departments who ensure its consistency with the mapping of the Group's key risks. Process owners check operation compliance with the management rules described in procedures, self-assess the level of control over risks and define action plans where relevant.
- The incidents database identifies data relating to operational risk incidents in order to put in place the necessary corrective and preventive measures and produce regulatory, control and management reports. The system sets thresholds requiring immediate reporting of certain incidents to the Executive Committee, the Board of Directors, the Renault Group Ethics and Compliance Committee and the European Central Bank's Joint Supervisory Team.
- Key risk indicators are used to anticipate the occurrence of certain critical operational risks. These indicators are defined for "Business and Consumer Customer", "Dealer lending", "refinancing", "accounting" and "IT" processes.

The main operational risks concern business interruption, potential losses or damage related to IT systems - technological infrastructure or use of a technology - internal and external fraud, failure to protect personal data, damage to reputation, inadequate human resources, mismanagement of pension schemes, as well as non-compliance with legislation, regulations and standards in matters of law, tax, accounting, anti-money laundering and combating the financing of terrorism, capital requirements (CRD IV / CRR), bank recovery and resolution (BRRD) and securities issues (bonds, securitization).

Six risk families are given below: legal and contractual risks, tax risks, money laundering and terrorism financing related risks, IT risks, personal data protection related risks and reputational risks.

LEGAL AND CONTRACTUAL RISKS

Risk factors

The RCI Banque group's activity can be affected by any changes in legislation impacting on the marketing of credit and insurance at the point of sale, as well as by any changes in regulatory requirements governing banking and insurance. Additionally, misinterpretation of the law or any inappropriate behavior by staff or agents could also influence RCI Banque group's business.

Management principles and processes

RCI Banque carries out legal analyses of new products marketed and regularly monitors the regulations governing it to ensure it complies with them. The Group has also implemented an internal control system designed in particular to ensure the compliance of transactions made by staff and agents.

TAX RISKS

Risk factors

Through its international exposure, the RCI Banque group is subject to numerous sets of national tax laws, all of which are liable to amendments and uncertainties in interpretation that might affect its operations, financial position and earnings.

Management principles and processes

RCI Banque has put in place a monitoring system designed to list and address all tax issues affecting it.

Any tax disputes with which RCI Banque may be faced as a result of tax inspections are closely monitored and where appropriate, provisions are booked to cover the estimated risk.

RISKS RELATING TO MONEY LAUNDERING AND FINANCING TERRORISM

Risk factors

RCI Banque is subject to international, European and French regulations as regards combating money laundering and financing terrorism. This regulation can expose to substantial penalties, both criminal and disciplinary.

Management principles and systems

RCI Banque has implemented a Group policy set out in a general procedure and Corporate business procedures which are transposed in group entities. The degree of application of the system is assessed by means of four operational risks and KRIs (Key Risk Indicators). A compliance performance indicator is also assigned to all entities of which RCI has effective control.

IT RISKS

Risk factors

The RCI Banque group's activity is partly dependent on the serviceability of its IT systems. RCI Banque's IT Division, through their governance, security policy, technical architectures and processes, play a part in the fight against IT-related risks (infrastructures, cybercrime, etc.).

Management principles and processes

Oversight of RCI IS risks takes into account good management of and control over potential major IS risks: governance, business continuity, IT security, change management, data integrity and data processing.

These risks are managed and controlled by:

- the incorporation of IT risk management in the overall management system and management of RCI risks at all levels in the company;
- the degree of protection of the IT system across the group;
- everyday control, oversight and management of the group's "Information Management Policy";
- security awareness and training actions for all personnel (e-learning, information, etc.);
- actions, support and checks performed by the RCI IT Risk, Compliance and Security Department, which are based on a network of IT Security Officers in every DSI subsidiary, and also on a network of internal auditors;
- a group IT security policy, incorporating the regulatory requirements (banking, GDPR / personal data, etc.), an overall management approach and ongoing adapting of IT security;
- a policy of the most demanding intrusion and surveillance tests, covering both external risks and internal risks;
- a Disaster Recovery Plan in place and regular tests of the plan, including the issue of cyber-risks.

Focus on IT security

RCI Banque implements the Renault Group IS Security policy, also factoring in banking requirements, and placing particular emphasis on access control for its applications, protection of personal and sensitive data and business continuity.

As part of the RCI Banque group's emergency and business continuity plan, IS business resumption plans are operational for all of its deployed and local applications. They are tested at least once a year.

Users of the information system are contractually bound to observe the rules of use of the IT tool. RCI Banque ensures it preserves the same level of protection when developing new lines of business (electric vehicles, deployment in new territories).

Hosting the best part of the IT operations of all countries in the "C2" (main) data center and the "C3" (backup) data center enables us to guarantee the highest level of protection and uptime for our systems and applications.

PERSONAL DATA PROTECTION RELATED RISKS

Risk factors

The EU General Data Protection Regulation (GDPR) which came into effect on 25 May 2018 apples to RCI Banque. Non-compliance could have serious effects in its business and reputation.

Management principles and systems

As from September 2017, RCI Banque decided to appoint a Data Protection Officer (DPO), in order to implement all measures necessary to comply with the GDPR, to ensure that customers' data is protected, and also that of staff throughout the whole Group.

Risks relating to personal data protection are managed in particular by the implementation of a personal data processing policy, monitoring all data processing as from the design stage, the implementation of appropriate organizational and technical resources and regularly making the company's staff aware of the issue.

REPUTATIONAL RISKS

Risk factors

RCI Banque is exposed to a risk of worsening perception by its customers, counterparties, investors or supervisors, which could adversely affect the group.

Management principles and processes

RCI Banque has put in place corporate governance ensuring efficient management of compliance risks. Through the development and analysis of indicators, the monitoring of this risk enables the bank where appropriate to take corrective actions.

B - MEASUREMENT OF OPERATIONAL RISKS AND MONITORING PROCESS

The internal control, operational risk and compliance committees of entities and of the group convene every quarter and are structured to monitor changes in the mapping, assessments, the different control levels, incidents, key risk indicators and the related action plans.

C - EXPOSURE TO THE RISK AND CALCULATION OF REQUIREMENTS

Operational risk is treated by the standardized method.

The capital requirement calculation is based on average net banking income observed over the last 3 years and gross of other operating charges, broken down into two business segments (retail banking and commercial banking), the regulatory coefficients of which are 12% and 15% respectively. The retail banking business line includes loans to individuals and to SMEs that match the definition given in Article 123 of the CRR. The commercial banking business line includes all other RCI Banque activities.

IX.1. Operational risk

In millions of euros	Commercial Banking	Retail Banking	Total
3 years average NBI - other operating expenses excluded	1,063	1,006	2,069
Value at risk in standardized method	1,992	1,509	3,502
Own funds requirements	**159**	**121**	**280**

D - INSURANCE OF OPERATIONAL RISKS

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTION

The French companies of the RCI Banque group are affiliated to the world property/business interruption insurance program taken out by Nissan Motor Co. Ltd and Renault S.A.S.

The risk prevention policy is characterized by:

- Installation of efficient and regularly audited security systems;
- Staff training (awareness of their role in prevention of damage to property);
- Installation of backups in the event of business interruption, as group production is highly dependent on the serviceability of its computer systems.

In the foreign subsidiaries of the RCI Banque group, some contracts are negotiated with local insurers and are monitored centrally to ascertain they are fit for purpose in apprehending the risks to cover. RCI Banque aims to include all its subsidiaries in the group's program to guarantee for each entity the same degree of coverage in terms of damage and business interruption.

THIRD-PARTY LIABILITY

The operational liability (the company's liability for damages caused to a third party while conducting its business, in any place, through the fault of the insured person, the staff, buildings and equipment used for the business) of the French subsidiaries has since January 2010 been covered by the Renault Group world program.

Only third-party liability after delivery and/or errors and omissions liability (damage or loss resulting from mismanagement or non-observance of a contractual obligation vis-à-vis third parties) specific to the RCI Banque group's lines of business is still covered by contracts specific to the RCI Banque group:

- one contract covers the third-party liability after delivery and/or errors and omissions liability of the Diac and Diac Location subsidiaries, more particularly concerning long-term rental and car fleet management services;
- one contract insures the Diac and Diac Location subsidiaries against the financial consequences of any third-party liability they may incur as owner or lessor of motor vehicles and equipment by virtue of the activities covered by this contract, namely lease purchasing, leasing with purchase option and long-term leasing, on the understanding that this contract is a second Tier insurance policy that is invoked if the lessee's insurance defaults;
- in matters of insurance intermediation (insurance contracts offered as a supplement to financing and rental products), RCI Banque and the Diac and Diac Location subsidiaries are insured with specific Errors & Omission liability contracts together with a financial guarantee in accordance with Articles L.512-6, L.512-7, R.512-14 and A.512-4 of the Insurance Code, regulations resulting from transposing of European Directives on the sale of insurance.

For RCI Banque's foreign subsidiaries and branches, the operational and errors & omissions liability contracts, including Errors & Omission liability of the insurance intermediary, are negotiated with local insurers in accordance with local regulations resulting from the transposition of the European directive of 9 December 2002 for European countries or an equivalent regulation for countries outside the EC. The Insurance and Services department oversees the consistency of the programs with group policies.

Since 1st January 2015, a new global Master program of professional liability insurance for the RCI Banque group has been taken out, supplementing local policies (with the exception of Turkey and Russia).

In respect of this program, the insurer will meet the cost of the financial consequences (civil defense costs) of any claim filed by a third party on the grounds of malpractice committed exclusively within the framework of the insured activities, as described below, implicating the Errors & Omission liability of one or more insured parties (RCI Banque group subsidiaries).

The program covers the following two areas:

- so-called "regulated" activities (those for which Errors & Omission liability insurance is a legal obligation): insurance intermediation activities and, for certain countries, banking operations, defined as an "activity consisting in presenting, offering or helping to conclude insurance contracts, respectively, banking operations or payment services, or carrying out works and providing advice prior to their execution";

- so-called "unregulated" activities (those for which no Errors & Omission liability insurance is imposed by regulations): activities in the banking, stock market, financial, real estate, insurance and reinsurance industries.

X - OTHER RISKS

A - RESIDUAL VALUES RISK

RISK FACTORS

Residual value is the estimated value of the vehicle when its financing plan ends. Changes on the used vehicle market can entail a risk for the holder of these residual values, who undertakes to buy back the vehicles at the end of their financing plans at a price fixed at the outset. This risk can be assumed by RCI Banque, by the manufacturer or by a third party (in particular the Dealers). In the specific case of the United Kingdom, RCI Banque bears residual values risk on financing contracts with the commitment to take back the vehicle.

Management principles and processes

Changes in the used car market have been monitored in depth in line with the range policy, sales channel mix and manufacturer's price positioning in order to best reduce such risk, in particular in instances where RCI Banque takes back vehicles itself. Prudent provisions are made on the loan portfolio when market values become less than the level of RCI Banque's return commitments, or if specific future risks are identified on the used vehicle market.

X.1. Breakdown of residual values risk carried by the RCI Banque group

In millions of euros	Residual values						Provision for residual values					
	2018	2017	2016	2015	2014	2013	2018	2017	2016	2015	2014	2013
Corporate segment	**216**	**263**	**247**	**123**	**28**	**0**	**17**	**26**	**12**	**4**	**1**	**0**
France	0	0	0	0	0	0	0	0	0	0	0	0
European Union (excluding France)	211	256	237	117	28	0	17	26	12	4	1	0
Europe excluding European union	-	-	-	-	-	-	-	-	-	-	-	-
Retail segment	**1,728**	**1,719**	**1,652**	**1,525**	**884**	**569**	**44**	**41**	**24**	**11**	**4**	**2**
European Union (excluding France)	1,679	1,682	1,626	1,501	884	569	40	38	22	8	4	2
Total risk on residual values	**1,944**	**1,981**	**1,899**	**1,649**	**912**	**569**	**61**	**67**	**36**	**15**	**6**	**2**

X.2. Residual values risk not carried by the RCI Banque group

In millions of euros	Residual Values				
	2018	2017	2016	2015	2014
Corporate and Retail segments:					
Commitments received from the Renault Group	3,998	3,502	2,943	2,344	1,907
Commitments received from others (Dealers and Customers)	3,732	2,954	2,128	1,574	1,322
Total risk on residual values	**7,730**	**6,456**	**5,071**	**3,918**	**3,229**

B - INSURANCE RISK

Insurance activities with customers, for which the risk is assumed by RCI Banque, could suffer losses if reserves were insufficient to cover the observed loss events.

Reserves are calibrated statistically to cover expected losses. During financial year 2018, variations in the actuarial reserves of our life and non-life insurance companies represented €26m for €349m of written premiums. Exposure to the risks is limited in other respects by diversification of the insurance and reinsurance contracts portfolio and of that of underwritten geographical areas. The group makes a strict selection of contracts, has underwriting guides and uses reinsurance agreements.

C - RISKS RELATING TO COMMERCIAL DEPLOYMENT

The RCI Banque group operates in the personal and businesses car finance and services sector. Consequently, there is a risk of sectorial concentration inherent in the Group's business which is managed by the diversification of brands financed, and products and services deployed.

Additionally, in a changing environment, the RCI Banque group strives to adapt its strategy to new demand and new market trends in line with new mobilities.

RCI Banque conducts business internationally and the geographic choices of the Group's sites are determined in accordance with its growth strategy as well as in support of manufacturers. As a result, RCI Banque can be subject, in all areas in which it operates, to a risk of geographic concentration, local economic and financial instability, and changes in government, social and central bank policies. One or more of these factors can have an unfavorable effect on the Group's future results, as exposure to the risk of geographic concentration is partly mitigated by its presence on various markets.

In a complex economic environment, RCI Banque puts in place systems and procedures that meet statutory and regulatory obligations corresponding to its banking status, and that enable it to comprehensively apprehend all the risks associated with its activities and sites, by strengthening its management and control processes.

D - RISK RELATING TO SHARES

The RCI Banque group's exposure from shares not held for transactional purposes, represent stocks and shares in commercial entities held but not consolidated, valued at fair value P&L weighted at 100% and entities consolidated by the equity method within the regulatory perimeter weighted at 250%. Exposures were €223M at end December 2018 against €176M at end 2017. The main variations are due to:

- the increase in valuation of the share in entities consolidated by the equity method for €+22M;
- the acquisition of iCabbi IE for €+34M;
- the direct shareholding in Marcel SAS for €+15M;
- capital increases in Class&Co (€+1M) and RCI Mobility (+5M€).

These variations are offset by provisions on shares in non consolidated start-ups for €-30M.

CROSS-REFERENCE TABLE

CRD IV	Purpose	Consistency
Article 90	Public disclosure of return on assets	Introduction
CRR	**Purpose**	**Consistency**
Article 431	Scope of disclosure requirements	Introduction
Article 432	Non-material, proprietary or confidential information	Introduction
Article 433	Frequency of disclosure	Introduction
Article 435	Risk management objectives and policies	
1a		Part I-A
1b		Part I-B
1c		Part I-A+C
1d		Part III-B+G + IV + IX-D
1e		Part I-A
1f		Part I-C
2a-d		Part I-B
2e		Part I-A+B+C
Article 436	Scope of application	
a-b		Part II-A
c		Part II-B
d		Part II-A
e		Part II-B
Article 437	Own funds	
1a-e		Part II-C
1f		NA own funds determined on the CRR basis only
Article 438	Capital requirements	
a		Part II-E
b		NA no supervisory requirement
c-d		Part III-D
e		NA no capital required for market risk
f		Part II-D
Article 439	Exposure to counterparty credit risk	
a-d		Part III-H
e-f		Part IV
g-i		NA credit derivative hedges not used

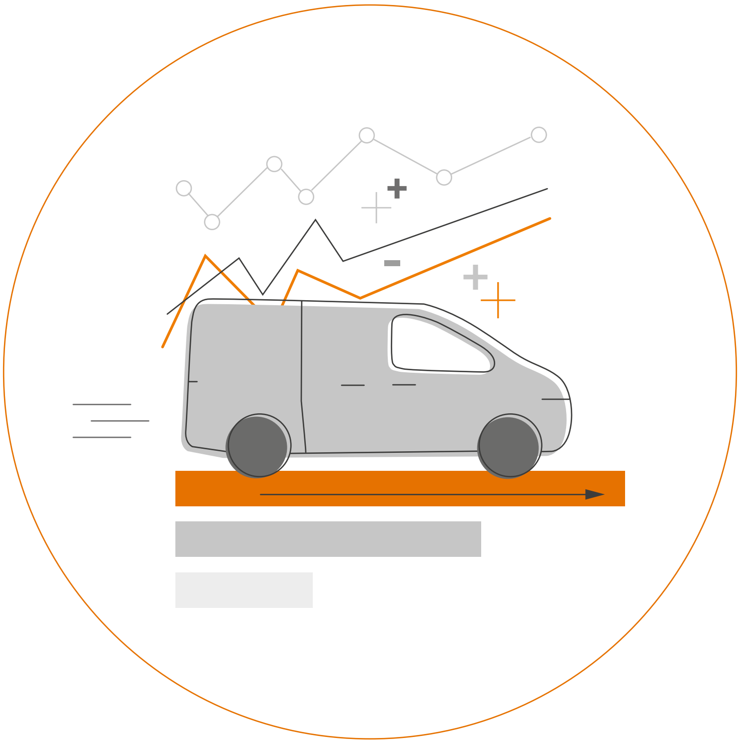
CROSS-REFERENCE TABLE

Article 440	Capital buffers	Part II-B
Article 441	Indicators of global systemic importance	Part II-B
Article 442	Credit risk adjustments	Part III-A
Article 443	Unencumbered assets	Part VIII-D
Article 444	Use of ECAIs	Part III-F
Article 445	Exposure to market risk	Part VI
Article 446	Operational risk	Part IX-C
Article 447	Exposures in equities not included in the trading book	
a-b		Part X-D
c-e		NA no exchange-traded exposure
Article 448	Exposure to interest rate risk on positions not included in the trading book	Part VII
Article 449	Exposure to securitization positions	Part V
Article 450	Remuneration policy	Part I-E
Article 451	Leverage	
1a-c		Part II-F
1d-e		Part II-G
Article 452	Use of the IRB Approach to credit risk	
a		Part III-E
b. i		Part III-E (d-iii)
b. ii		Part III-E (a+f)
b. iii		Part III-G
b. iv		Part III-E (g)
c		Part III-E (d+e)
d-f		Part III-E (c)
g-h		Part III-E (e)
i-j		Part III-E (d+e)
Article 453	Use of credit risk mitigation techniques	Part III-G
Article 454	Use of the Advanced Measurement Approaches to opera-tional risk	NA Advanced Measurement Approaches not used
Article 455	Use of Internal Market Risk Models	NA internal models not used
Article 492	Disclosure of own funds	Part II-C

TABLES

TABLES

PART	REF	TITLE
III-E-d		History of default rates per class
III-E-d		The Consumer PD model for Germany end December 2017
III-E-d	CR9	CR9 - IRB approach – Backtesting of PD per exposure class
III-E-e		Segmentation of exposures by the advanced method and average LGD by country
III-E-g	CR8	CR8 - RWA flow statements of credit risk exposures under the IRB approach
III-F	CR4	CR4 - Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects
III-F	CR5	CR5 - Standardized approach – Exposures by asset classes and risk weights
III-G	CR7	CR7 - IRB – Effect on RWA of credit derivatives used as CRM techniques
III-H	CCR1	CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach
III-H	CCR3	CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights
III-H	CCR5-A	CCR5-A - Impact of netting and collateral held on exposure values
III-H	CCR5-B	CCR5-B - Composition of collateral for exposures to CCR
III-H	CCR8	CCR8 - Exposures to CCPs
IV	CCR2	CCR2 - Credit valuation adjustment (CVA) capital charge
VII-D	IRRBB1	IRRBB1 - Quantitative information on changes in economic value of equity and net interest income under each of the prescribed interest rate shock scenarios
VIII-D	LIQ1	LIQ1 - Liquidity Coverage Ratio (LCR)
VIII-D	AE1	AE1 - Encumbered and unencumbered assets
VIII-D	AE2	AE2 - Collateral received
VIII-D	AE3	AE3 - Encumbered assets/collateral received and associated liabilities
IX-C		Operational risk
X-A		Breakdown of residual values risk carried by the RCI Banque group
X-A		Residual values risk not carried by the RCI Banque group



REPORT ON
CORPORATE GOVERNANCE

I - ORGANIZATION OF THE RCI BANQUE GROUP

The aim of the organization put in place by the RCI Banque group is to boost its business action in both the financing of Alliance manufacturers' sales and associated services. It gives the support functions a more comprehensive role to play in supporting international expansion.

Subject to control by the European Central Bank in its capacity as a credit institution, RCI Banque has structured its governance in accordance with banking and financial regulations.

Oversight of this organization is delivered in three ways:

Hierarchical line

RCI Banque's Senior Management and its Executive Committee direct RCI Banque's policy and strategy, under the control of the Board of Directors;

The management committees, both central and in the controlled subsidiaries and branches, implement the actions needed to meet the objectives set by Senior Management and the Executive Committee.

Functional line

The functional departments play the role of "technical parent" for the following purposes:

- establishing specific policies and rules of operation for IT systems, human resources, financial policy, credit risk management, etc.);
- providing the operational departments with support and ensuring that established policies are implemented as they should be by those departments. The group also has standardized mapping of all of the company's processes.

Supervision

The Board of Directors, a supervisory body, is backed up by five Board Committees: a Risk Committee, an Accounts and Audit Committee, a Remunerations Committee, an Appointments Committee and a Strategic Committee.

II - BODIES AND PEOPLE INVOLVED

A. BOARD OF DIRECTORS

The principles governing the operation, role and responsibilities of RCI Banque's Board of Directors and Board Committees are described in its internal rules and regulations, the main features of which are given below.

i. Role and responsibilities of the Board of Directors

In accordance with France's Commercial Code (Code de Commerce), Monetary and Financial Code (Code Monétaire et Financier) and more generally, all regulations that apply to the banking sector, the role and responsibilities of the Board of Directors are as follows:

- it determines the broad lines of the company's business activities and oversees implementation by the effective managers and the Executive Committee of supervisory systems so as to ensure effective and prudent management;
- it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the company is or might be exposed, including risks generated by the economic environment. In this respect, it ensures that the group's risk management systems are appropriate and effective, inspects and verifies the exposure to risk of its activities and approves the level of risk appetite and the related limits and alert thresholds as determined by the Risk Committee. It also ensures that corrective measures taken to remedy any shortcomings are effective;
- it reviews the governance system, regularly assesses its effectiveness and ensures that corrective measures are taken to remedy any shortcomings;
- it makes sure that the single-entity and consolidated financial statements are true, fair and accurate, and that the information published by RCI Banque is of high quality;

- it approves the Annual Business Report and the Report on corporate governance;
- it checks the publication and disclosure process, and makes sure that all information to be published or disclosed by the company is reliable and of high quality;
- it adopts and reviews the general principles of the remuneration policy applied within the RCI Group;
- it discusses beforehand any changes to RCI Banque's management structures;
- it prepares and convenes the Annual General Meeting of Shareholders and establishes its agenda;
- it may delegate to any person of its choosing the powers needed to complete, within a one-year limit, bond issues, and to determine the terms and conditions thereof;
- subject to the powers specifically allocated to shareholders' meetings, and within the purview of the company's corporate purpose, it deals with all matters relating to the good conduct of the company's business and decides all pertinent issues through its deliberations.

The Board of Directors devotes at least one annual meeting to a review of the internal control system and approves the Annual Report on Internal Control sent to France's Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR).

It also has the power to authorize transactions affecting the share capital, bond issues, the signature or termination of agreements with other undertakings that entail commitments affecting the company's future, and major transactions likely to alter significantly the scope of business or capital structure of the company and the group it controls.

The Board of Directors relies in particular on the work of the different Board Committees to help it fulfill its duties.

ii. Composition of the Board of Directors

At 31 December 2018 the Board of Directors of RCI Banque consisted of seven directors.

Board of Directors as at 31 December 2018

	Corporate office	Appointment or renewal date	Expiry date	List of all corporate appointments held	Number of shares held	% shareholding
Clotilde Delbos	Chairman of the Board Independent Director	21/11/2014	may 2020	• Spain: Renault España S.A. - Director • France: Renault Venture Capital – Chairman • France: Alstom – Director	0	0
Farid Aractingi	Independent Director	22/05/2018	may 2024	• Belgium: European Confederation of Institutes of Internal Auditing – President • France: Renault Consulting – Chairman • France: Renault Histoire – Director • Lebanon: Fattal Holding – member of the Advisory Board	0	0
Gianluca De Ficchy	Director	21/11/2014	may 2020	• Switzerland: Nissan International S.A. – Chairman of the Board of Directors	0	0
Bruno Kintzinger	CEO and Director	22/05/2018	may 2024	• France: DIAC – Chairman of the Board of Directors • Netherlands: RN SF BV – Director • Russia: RN Bank – Director • Turkey: Orfin Finansman Anonim Sirketi- Chairman of the Board of Directors	1	0
Thierry Koskas	Independent Director	01/04/2016	may 2021	• Spain: Renault España - Director • China: Dongfeng Renault Automobile Company - Director	0	0
Isabelle Landrot	Independent Director	22/05/2018	may 2024	• Australia: Vehicle Distributors Australia Pty Ltd - Director	0	0
Ursula L'Her	Independent Director	22/05/2018	may 2024		0	0

Other corporate officer at 31 December 2018

	Corporate office	Appointment or renewal date	Expiry date	List of all corporate appointments held	Number of shares held	% shareholding
Patrick Claude	Head of Risk Management and Compliance and Deputy CEO	01/10/2014	unlimited	• Brazil: Banco RCI Brasil - Director • France: RDIC - Chairman of the Supervisory Board • Malta: RCI Services – Director • Malta: RCI Life – Director • Malta: RCI Insurance - Director • Netherlands: RG BV - Chairman of the Board of Directors • Netherlands: BARN BV - Director • Russia: RN Bank - Director • Singapore: Renault Treasury Services – Chairman of the Board of Directors • Switzerland: Renault Finance Lausanne - Chairman of the Board of Directors	0	0

Shareholder as at 31 December 2018

Renault S.A.S					999,999	99.99

Members of the Board of Directors are appointed by the Annual General Meeting on the recommendation of the Appointments Committee. Their term of office is set at six years, except in the case of co-option.

The directors have been appointed to the Board of Directors on the basis of their good repute, their knowledge of the company's activity and lines of business, their technical and general expertise and, in some cases, the experience acquired in performing their duties in the shareholder companies.

Collectively, the members of the Board of Directors and the effective managers have the knowledge, expertise and experience needed for a full understanding of all of the company's business activities, including the main risks to which to which it is exposed, of the sales financing sector, of the Renault-Nissan Alliance and of the automotive sector.

On the recommendation of the Appointments Committee, the Board of Directors has defined the notion of independent director as follows: "An RCI director is independent when he or she has no relationship of any kind whatsoever with either the RCI group or its management that might color his or her judgment. Accordingly, an independent director is understood to be not only a non-executive director, i.e. one not performing management duties in the RCI group, but also one devoid of any particular bonds of interest (significant shareholder, employee, other) with them."; activities with the Renault Nissan alliance not constituting particular bonds of interest, in accordance with the specified classification criteria. On this basis, it has identified five directors as being independent.

At 31 December 2018, the Board of Directors of RCI Banque consisted of three women and four men.

As recommended by the Appointments Committee, the Board of Directors set the goal of maintaining a minimum proportion of 40% of directors of each sex.

To the best of the Company's knowledge, there are no conflicts of interest between the private interests of the members of the Board of Directors and their duties towards the Company. There are no family ties between the members of the Board of Directors.

During the last financial year, no agreements or arrangements were entered into by any of the Company's senior managers or significant shareholder with any subsidiary. In accordance with Order 2014-863 of 31 July 2014, the Board of Directors hereby states that agreements entered into with the parent company or with Company subsidiaries that are directly or indirectly fully owned are excluded from the scope of control of regulated agreements.

To the best of the Company's knowledge, none of the members of the Board of Directors and none of its main Senior Management members has, in the past five years:

- been convicted in relation to fraudulent offences;
- been associated with any bankruptcy, receivership or liquidation, in the capacity of senior manager;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities, or;
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

iii. Preparation of Board of Directors' meetings

The Board of Directors meets at least four times a year and as often as the interest of the Company requires, upon notice duly served adequately in advance, by any means, by the secretary of the Board appointed by the Chairman, in accordance with the provisions of the Articles of association.

In accordance with Article L.823-17 of France's Commercial Code (Code de Commerce), the statutory auditors are invited to all meetings of the Board of Directors examining or preparing the annual or interim financial statements, and if relevant, to other meetings at the same time as the Directors themselves.

All technical documents and information required for the directors to fulfill their responsibilities are sent to them in compliance with the applicable provisions of the law and the Company's Articles of association.

Meetings of the Board of Directors are chaired by the Chairman, who establishes the timetable and agenda for each meeting. He/she organizes and oversees the work of the Board and reports thereon to the Annual General Meeting. He/she chairs General Meetings of shareholders.

The Chairman makes sure that the company's bodies operate properly and that best governance practices are implemented. This applies in particular to the committees set up within the Board of Directors, whose meetings the Chairman may attend. He/she may submit questions to be examined by these committees for their opinion.

The Chairman is provided with all information required to perform his/her duties and tasks. He/she is provided with regular updates by senior management on all significant events relating to the life of the RCI group. He/she may request communication of all appropriate documents and information needed to enlighten the Board of Directors. In this respect, he/she may also interview the Statutory Auditors and, after informing the Chief Executive Officer thereof, any member of the RCI group's Senior Management.

The Chairman ensures that the members of the Board of Directors are in a position to fulfill their duties and makes sure that they are properly informed.

iv. Activity of the Board of Directors during 2018

The Board of Directors met seven times in the 2018 financial year:

- On 12 February 2018, the Board in particular scrutinized the Annual Report, agreed the corporate and consolidated accounts to 31 December 2017, and approved the 2018 budget. On recommendation by the Appointments Committee, the Board proposed the appointment of Ms. L'Her and the renewal of Mr. Aractingi and Ms. Landrot as directors. On recommendation by the Remunerations Committee, the Board confirmed the RCI Group variable component system for the 2018 financial year.
  On recommendation by the Risks Committee, it approved the report on compliance with warning thresholds and limits associated with the level of risk appetite.
- On 26 March 2018, the Board appointed Mr. Kintzinger as Chief Executive Officer (CEO) from 1st April 2018, and proposed he be appointed as Director.
- On 6 April 2018, the Board approved the 2017 report on internal control and noted measures taken by the Risks Committee under the delegation given for the analysis and validation specific ICAAP and ILAAP procedures, assumptions and results.
- On 22 May 2018, the Board changed the composition of its specialist committees subsequent to the appointment of new directors by the Annual General Meeting.
- On 24 July 2018, the Board scrutinized the Activity Report and confirmed the consolidated half-year accounts to 30 June 2018. On recommendation by the Appointments Committee, it approved the definition of Independent Director, their identification on the Board, and approved for 2019 a goal and policy on balanced representation by directors of each sex on the Board of Directors.
  It also approved the appointment of Mr. Perreau as Head of Audit. In addition, the Board approved the compliance control procedure, and the conflict of interest management procedure for RCI group personnel.
- On 6 December 2018, the Board in particular analyzed refinance transactions undertaken to end November 2018 and the finance plan set for 2019; it then authorized issues for the 2019 financial year and renewed the corresponding delegations of power through to 31 December 2019.
  The Board also approved an update of the ILAAP governance and ICAAP strategic rating procedure. On recommendation by the Risks Committee, the Board approved changes made to the "Risk Appetite Framework" and recovery plan.
  On recommendation by the Remunerations Committee, it approved the risk-taker remuneration policy.
- On 12 December 2018, the Board decided to pay an interim dividend to the company's shareholder.

The director attendance rate at these meetings was 88% across the year.

The meetings of the Board of Directors were held at 13-15, Quai Le Gallo, 92512 Boulogne-Billancourt, France, at the head office of Renault S.A.S., RCI Banque's parent company.

The minutes of each Board of Director's meeting were drawn up by the secretary of the Board, approved at the following meeting, and transferred to a register held at the company's head office and available for inspection by the directors.

v. Special committees of the Board of Directors

The Accounts and Audit Committee met three times in 2018. Its main duties were to present and monitor the financial statements and preparation thereof, and to monitor the statutory audits of the single-entity and consolidated financial statements. It also examined the audit plan and analyzed the audits performed. The Committee monitored the effectiveness of the internal control and risk management systems, the independence of the statutory auditors, the management of their non-audit services and their rotation.

The Risk Committee met four times in 2018. Its main duties were to review risk mapping and validate the definition of risks, and to analyze and validate the RCI group's limits on risk in keeping with the Board's risk appetite and with a view to assisting the Board in terms of control. It was also in charge of action plan analysis in the event of limit or threshold overrun, and of reviewing product and service pricing systems. Without prejudice to the role of the Remuneration Committee, it was also tasked with reviewing the compatibility of the remuneration policy with the company's exposure to risks. With a view to advising the Board of Directors, the Committee was also tasked with analyzing and approving the Report on internal control, ICAAP and ILAAP mechanisms, the recovery plan, and significant aspects of rating and estimating processes using the Company's internal credit risk models

The Remunerations Committee met four times in 2018. Its main duty was to review the RCI Banque group's remuneration policy and Variable Component system for 2018. The Committee also reviewed the remuneration granted to officers and directors and to the Chief Risk Officer, and the remuneration policy for individuals with an impact on risk and risk management.

The Appointments Committee met four times in 2018. Its main duty was to recommend members for the Board of Directors. It was also tasked with the annual review of the Board of Directors, and in particular with reviewing its structure, its make-up, the diversity of knowledge, expertise and experience of its members, the definition of "independent director" and its gender balance objectives.

The Strategic Committee met four times in 2018. Its main duties were to analyze the rollout of the strategic plan, and to examine and approve various strategic projects.

B. SENIOR MANAGEMENT

i. Senior Management method

In accordance with the Act implementing CRD IV and with the Order of 3 November on internal control, the roles of Chairman and Chief Executive Officer are separate.

At 31 December 2018, the Company's Senior management and effective management (within the meaning of Article L.511-13 of France's Monetary and Financial code) are assumed under the responsibility of the CEO, Mr. Bruno Kintzinger, and Deputy CEO, Head of Risk Management and Compliance, Mr. Patrick Claude.

The CEO is vested with the widest powers to act in the Company's name in all circumstances, within the purview of the Company's corporate purpose, and subject to those that are specifically granted by law to shareholders' meetings and to the Board of Directors. The CEO has the authority to grant sub-delegations or substitute powers of attorney for one or more specified transactions or categories of transactions.

However, the CEO must obtain authorization from the Board of Directors to acquire, sell or mortgage buildings, the Board intending to retain authority in such matters.

The Deputy CEO has the same powers as the CEO with regard to third parties.

ii. Executive Committee

RCI Banque's executive committee contributes to forming RCI Banque's policy and strategy.

At 31 December 2018, it consisted of the CEO (Bruno Kintzinger), the Head of Risk Management and Compliance (Patrick Claude), the Head of Information Systems (Umberto Marini), the Head of Accounting and Performance Control (Antoine Delautre), the Head of Mobility and Innovation Services (Alice Altemaire), the Head of Human Resources (Hélène Tavier), the Head of Commercial Affairs (Enrico Rossini), the Head of Customers and Operations (Marc Lagrené), the Head of Finance and Cash Management (Jean-Marc Saugier) and the Head of Territories and Performance (François Guionnet).

In addition, General Management relies in particular on the following committees to oversee the group's risk management:

- **the Finance Committee,** which reviews the following: economic analyses and forecasts, resource cost, liquidity, interest rate and counterparty risks across the group's different scopes and subsidiaries. Changes in RCI Holding's balance sheet and income statement are also analyzed so that the necessary adjustments to intra-group transfer prices can be made;

- **the Credit Committee**, which validates commitments that are beyond the authority of the subsidiaries and Group Commitments Officer;
- **the Performance Committee**, for "Customer and Dealer Risks" matters, which assesses the quality of customer lending and subsidiary collection performances in relation to objectives set. With respect to the Dealer business, changes in outstandings and stock rotation indicators, as well as changes in dealership and loan classification are reviewed;
- **the Regulations Committee** which reviews major regulatory changes in prudential supervision and action plans, and validates internal rating models and the related management system;
- **the Internal Control, Operational Risks and Compliance Committee** oversees the whole of the group's internal control system, checks its quality and its related systems, and adjusts means, systems and procedures accordingly. It defines, oversees and monitors the principles of the operational risk management policy, and the principles of the compliance control system. It monitors progress made on the action plans. This body is transposed in RCI Banque group subsidiaries;
- **the New Product Committee** which verifies new products before they are marketed, by ensuring in particular that new products comply with the group's commercial policy, the group's budgetary requirements, legislation applicable locally, and the group's governance of risks.

iii. Shareholder participation in the Annual General Meeting

Provisions in the Articles of Association setting the means of shareholder's participation in the Annual General Meeting are reproduced in the General Information part.

III - RCI BANQUE SENIOR MANAGEMENT REMUNERATION

A - COMPENSATION PAID TO DIRECTORS

The directors receive no directors' fees or other compensation for serving on the Board.

B - COMPENSATION PAID TO CORPORATE OFFICERS

The aim of the overall remuneration policy implemented by RCI Banque is to attract and retain employees and ensure their commitment to the group in the long-term, while ensuring compliance and appropriate management of risks and promoting the Company's values. For corporate executive officers in particular, the policy is designed to reward implementation of the RCI Banque group's strategy over the long term, for the good of the group's shareholder, customers and employees.

As RCI Banque is a credit institution, its policy on remuneration paid to corporate officers has been developed in accordance with regulations applicable to the banking sector, and in particular with European Directive 2013/36/EU of 26 June 2013 (hereafter "CRD IV") and its transposition in France via Order 2014-158 of 20 February 2014, insofar as the persons concerned also have a significant impact on the Company's risk profile.

I - COMPONENTS OF CORPORATE EXECUTIVE OFFICERS' REMUNERATION IN RESPECT OF THE 2018 FINANCIAL YEAR

The components of remuneration due or awarded in respect of the 2018 financial year, to Chief Executive Officers and Deputy Chief Executive Officers, detailed in the Appendix listing the remunerations of corporate officers pursuant to Article L225-37-3 of France's Code of commerce, are examined by the Remunerations Committee, before being put by the Board of Directors to a binding vote at the Annual General Meeting of shareholders.

In that regard, the Annual General Meeting set for 22 May 2019, will consider by distinct resolution, components of remuneration due or awarded for the 2018 financial year to the various Chief Executive Officers and Deputy Chief Executive Officer who held such offices in 2018.

It is stated that variable or exceptional components of remuneration due in respect of the offices concerned can only be paid after said remuneration is approved by the Annual General Meeting; the Annual General Meeting's approval is also required for any changes in components of the remuneration and for the renewal of each office held by those persons.

II - PRINCIPLES AND RULES ON THE REMUNERATION OF RCI BANQUE'S CORPORATE EXECUTIVE OFFICERS IN RESPECT OF THE 2019 FINANCIAL YEAR

The principles and criteria for the determination, distribution and allocation of fixed, variable and one-off components of overall remuneration and benefits of any kind that may be awarded to the Chairman, Chief Executive Officer and Deputy Chief Executive Officers, on account of their offices, are examined by the Remuneration Committee before being submitted by the Board of Directors to the Annual General Meeting of Shareholders for its binding vote.

In this respect, the Annual General Meeting scheduled for 22 May 2019 will be asked for its approval of the principles and criteria for remuneration to be awarded to the Chairman, Chief Executive Officer and Deputy Chief Executive Officers, for the 2019 financial year, as described hereafter. Should the Annual General Meeting not approve the resolution, the previously approved principles and criteria will continue to apply.

This remuneration policy, which is underpinned by a number of common principles (i) takes into account certain specificities of the offices concerned (ii). Remuneration for corporate officers in itself consists of a fixed component and, where appropriate, a variable component (iii) which is determined and awarded according to guidelines common to all persons with a significant impact on the Company's risk profile.

i. Common principles for the corporate officer remuneration policy

This remuneration policy is underpinned by a number of straightforward, stable and transparent principles:

- A close connection with the Company's strategy: remuneration is closely tied to implementation of the strategy and its results.
- Fair and competitive reward for performance:
  - the variable proportion of the corporate officer's remuneration is, in accordance with banking regulations, consistent with market practice;
  - no variable remuneration is awarded in the event of under-performance
- A level of remuneration that prevents conflicts of interest and promotes sound and effective risk management:
  - remuneration in line with the business strategy, objectives, values and long term interests of the Company;
  - assessment of performance set in a multi-year framework and taking into account all risks to which the institution is exposed;
  - appropriate balance between the fixed and variable components of total remuneration, and deferred payment of a percentage of the corporate officer's variable remuneration.

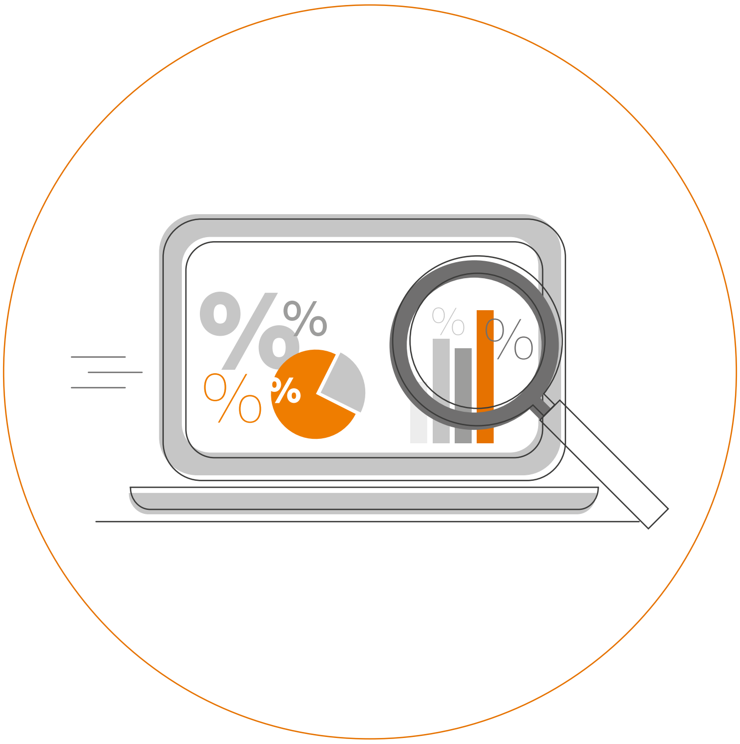
ii. Specific features of the office of Chairman

The Chairman of the Board of Directors receives no directors' fees or other compensation for serving on the Board as Chairman.

iii. Components of remuneration of corporate officers for the 2019 financial year

- The corporate officer remuneration policy consists in breaking remuneration down into:
  - a fixed component, equivalent to a fixed amount of remuneration paid in cash and determined on the basis of the corporate officer's role, level of responsibility and experience;
  - a variable component linked to achievement of the main operational objectives and subject to the following principles that apply to all risk takers.

Principles that apply to the variable component	Application
The amount of the variable component must be equal to or less than the fixed component.	The variable component considered is the Group Variable Component (GVC). This variable component of remuneration does not exceed 100% of the fixed component. The percentage is 20%, 30% or 50% and can be combined with a booster taking the percentage to a maximum of 30%, 51.75% or 75% respectively.
The variable component must take account of the performance of the individual and of the business unit concerned and of the overall results of the institution. The assessment of performance must be set in a multi-year framework and take into account all of the risks to which the institution is exposed.	Conditional on a Group MOP attaining 90% of budget value, the RCI GVC awarded is composed of three parts: • Overall component: 50% [Group MAC and Group MOP] • Component linked to the office or country: 30% [Group operational coefficient] or [country MAC and achievement of country projects (conditional on country MOP > 90% of budget)] • Individual component: 20%. A zero managerial component results in an overall GVC of zero. The variable component for eligible staff in charge of control takes account of specific performance indicators: For the Corp: Group MOP + Group Operating Coefficient, for Senior Management France: Group MOP + France MOP + France Projects.
Payment of the variable remuneration component shall be spread over a period established in accordance with the specific business cycle of the credit institution. At least 40% of the variable remuneration component shall be deferred over a period of at least three years. Remuneration payable under deferral arrangements shall vest no faster than on a pro-rata basis.	Under the scheme adopted, deferment concerns amounts that exceed 50,000 euros. In the case of amounts over 83,300 euros, 40% of the variable component shall be deferred over a 3-year period.
At least 50% of the variable component must be allocated as shares or other instruments that can be converted to Common Equity Tier 1 instruments.	For GVCs over 50,000 euros, 50% of the component awarded immediately and the whole of the component awarded and deferred are awarded in the form of an RCI Banque subordinate instrument (term account): on overall, 5 payments.
The variable component may be subject to malus or clawback arrangements. Criteria for the application of such arrangements shall in particular include the conduct or behavior of the person concerned.	In the scheme adopted, these rules are implemented.



CONSOLIDATED FINANCIAL STATEMENTS

KPMG S.A.
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex

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

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31st December 2018

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

Opinion

In compliance with the engagement entrusted to us by your general meetings, we have audited the accompanying consolidated financial statements of RCI Banque for the year ended 31st December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at 31st December 2018 and of the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (Code de déontologie) for statutory auditors.

Emphasis of Matte

We draw attention to the matter described in Note 3.A to the consolidated financial statements relating to changes in accounting policies which describes the application of IFRS 9 "Financial instruments" as of 1st January 2018. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

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

Key Audit Matter	Our audit response

Your Company books provisions to cover the risk of non-recovery of loans granted to customers. Since January 1st, 2018, your Company has applied IFRS9 "Financial Instruments", which defines in particular a new methodology for estimating provisions based on expected credit losses on healthy outstandings (bucket 1), outstandings with a significant increase in risk since initial recognition (bucket 2) and outstandings delinquent / defaulted (bucket 3) and no longer just for effective proven credit risk.

The consequences of the first-time application of IFRS 9 are detailed in section 3.A of the Notes to the consolidated financial statements. The impact on the group's equity at January 1st, 2018 amounted to € 128 million, comprising € 121 million related to the impairment of expected credit losses (excluding deferred tax).

Indeed, the estimate of credit impairment goes from a provisioning model of credit losses to a provisioning model for expected credit losses as indicated in the above-mentionned section.

We consider the initial application of this standard as of 1st January 2018 and its implementation as of 31st December as a key audit matter due to the importance of retail and wholesale receivables in the bank's balance sheet, the use of many parameters and assumptions in calculation models and the use of judgment in determining the models and assumptions used to estimate expected credit losses.

As part of our audit of your Company's consolidated financial statements, our work consisted mainly in:

- examining the methodological principles applied for the model structuring, in order to verify their compliance, for the key aspects, with the principles of IFRS 9;
- appreciating the actual governance for the approval of parameters and key assumptions used for those models or used for the review of the losses made during the accounting period (back-testing);
- carrying out an assessment on the key controls, the IT software, the booking of the Retail and Wholesale credit portfolios and the split per bucket of receivables. It covers also the quality of the interface of the IT application used for the calculation of the credit expected losses. Our audit teams were assisted by experts from our audit firms, specialized in the audit of information systems and credit risk modeling;
- regarding the retail scope:
  - testing for a representative sample of retail credit contracts the accuracy of the parameters included which serve for the calculations of the "Probability of Default" and the "Loss Given Default" by tying them back to related contracts;
  - re-performing on the same sample the "Expected Credit Losses" calculation at the 2018 opening financial situation and 31st October financial situation and conducting analytical procedures on the evolution of the "Expected Credit Losses" until 31st December 2018;
- regarding the wholesale scope:
  - testing the completeness of the RCI G6 data and ensuring the accuracy of the parameters included which serve for the calculations of the "Probability of Default" and the "Loss Given Default" by tying them back to related contracts;
  - re-performing the "Expected Credit Losses" calculation for French activities at the 2018 opening financial situation and validating the completeness of the Wholesale credit data for the RCI G6 scope as of December 31st, 2018;
- evaluating the methodology used to determine the "forward-looking" impact, including the assumptions used to establish macroeconomic scenarios, to measure the weighting of those scenarios and their incidences on risk parameters;
- conducting analytical procedures on the evolution of the retail and wholesale receivables and related credit risk provisions from one fiscal year to the next;
- assessing the accuracy of the information disclosed in Note 6 to the consolidated financial statements.

Specific verifications

As required by French laws and regulations, we have also verified in accordance with professional standards applicable in France the information pertaining to the group presented in the management report of board of directors.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of RCI Banque S.A. by the annual general meeting held on 22nd May 2014 for KPMG S.A. and on 27th June 1980 for ERNST & YOUNG Audit.

As at 31st December 2018, KPMG S.A. and ERNST & YOUNG Audit were respectively in the 5th year and 39th year of total uninterrupted engagement.

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

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

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

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

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

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

Objectives and audit approach

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

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

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

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

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

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 14th March 2019

The statutory auditors

KPMG S.A.
Valéry Foussé

ERNST & YOUNG Audit
Luc Valverde

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	12/2018	12/2017
Cash and balances at central banks	2	2,040	1,303
Derivatives	3	123	123
Financial assets available for sale and other financial assets	4		1,287
Financial assets at fair value through other comprehensive income	4	902	
Financial assets at fair value through profit or loss	4	166	
Amounts receivable at amortised cost from credit institutions	5	1,033	1,124
Loans and advances at amortised cost to customers	6 and 7	46,587	43,430
Current tax assets	8	26	36
Deferred tax assets	8	145	112
Tax receivables other than on current income tax	8	208	231
Adjustment accounts & miscellaneous assets	8	953	1,009
Investments in associates and joint ventures	9	115	102
Operating lease transactions	6 and 7	974	839
Tangible and intangible non-current assets	10	39	29
Goodwill	11	83	84
TOTAL ASSETS		**53,394**	**49,709**

LIABILITIES AND EQUITY - In millions of euros	Notes	12/2018	12/2017
Central Banks	12.1	2,500	2,500
Derivatives	3	82	118
Amounts payable to credit institutions	12.2	2,431	2,444
Amounts payable to customers	12.3	16,781	15,844
Debt securities	12.4	23,509	21,339
Current tax liabilities	14	124	108
Deferred tax liabilities	14	472	422
Taxes payable other than on current income tax	14	24	28
Adjustment accounts & miscellaneous liabilities	14	1,543	1,632
Provisions	15	148	124
Insurance technical provisions	15	460	418
Subordinated debt - Liabilities	17	13	13
Equity		5,307	4,719
- Of which equity - owners of the parent		*5,262*	*4,684*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*3,923*	*3,421*
Unrealised or deferred gains and losses		*(333)*	*(272)*
Net income for the year		*858*	*721*
- Of which equity - non-controlling interests		*45*	*35*
TOTAL LIABILITIES & EQUITY		**53,394**	**49,709**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2018	12/2017
Interest and similar income	25	2,095	1,992
Interest expenses and similar charges	26	(702)	(769)
Fees and commission income	27	545	492
Fees and commission expenses	27	(213)	(209)
Net gains (losses) on financial instruments at fair value through profit or loss	28	(31)	18
Net gains (losses) on AFS securities and other financial assets			(4)
Income of other activities	29	977	808
Expense of other activities	29	(741)	(700)
NET BANKING INCOME		**1,930**	**1,628**
General operating expenses	30	(565)	(514)
Depreciation and impairment losses on tangible and intangible assets		(10)	(8)
GROSS OPERATING INCOME		**1,355**	**1,106**
Cost of risk	31	(145)	(44)
OPERATING INCOME		**1,210**	**1,062**
Share in net income (loss) of associates and joint ventures	9	15	15
Gains less losses on non-current assets			
Impact of Profit & Loss for Subisidiaries in Hyperinflation Context		(10)	
PRE-TAX INCOME		**1,215**	**1,077**
Income tax	32	(333)	(329)
NET INCOME		**882**	**748**
Of which, non-controlling interests		24	27
Of which owners of the parent		858	721
Net Income per share[1] in euros		**857.80**	**720.85**
Diluted earnings per share in euros		**857.80**	**720.85**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	12/2018	12/2017
NET INCOME	**882**	**748**
Actuarial differences on post-employment benefits	2	(1)
Total of items that will not be reclassified subsequently to profit or loss	*2*	*(1)*
Unrealised P&L on cash flow hedge instruments	3	(2)
Unrealised P&L on financial assets		1
Exchange differences	(65)	(78)
Total of items that will be reclassified subsequently to profit or loss	*(62)*	*(79)*
Other comprehensive income	(60)	(80)
TOTAL COMPREHENSIVE INCOME	**822**	**668**
Of which Comprehensive income attributable to non-controlling interests	25	22
Of which Comprehensive income attributable to owners of the parent	797	646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital (1)	Attribut. reserves (2)	Consolid. reserves	Translation adjust. (3)	Unrealized or deferred P&L (4)	Net income (Shareholders of the parent company)	Equity (Shareholders of the parent company)	Equity (Non-controlling interests)	Total Consolidated equity
Equity at 31 December 2016	**100**	**714**	**2,827**	**(175)**	**(22)**	**602**	**4,046**	**14**	**4,060**
Appropriation of net income of previous year			602			(602)			
Equity at 1st January 2017	**100**	**714**	**3,429**	**(175)**	**(22)**		**4,046**	**14**	**4,060**
Change in value of financial instruments recognized in equity					2		2	(3)	(1)
Actuarial differences on defined-benefit pension plans					(1)		(1)		(1)
Exchange differences				(76)			(76)	(2)	(78)
Net income for the year (before appropriation)						721	721	27	748
Total comprehensive income for the period				**(76)**	**1**	**721**	**646**	**22**	**668**
Effect of acquisitions, disposals and others			(2)				(2)	20	18
Dividend for the year								(53)	(53)
Repurchase commitment of non-controlling interests			(6)				(6)	32	26
Equity at 31 December 2017	**100**	**714**	**3,421**	**(251)**	**(21)**	**721**	**4,684**	**35**	**4,719**
Appropriation of net income of previous year			721			(721)			
Restatement of Equity opening amount (5)			(82)				(82)	(7)	(89)
Equity at 1st January 2018	**100**	**714**	**4,060**	**(251)**	**(21)**		**4,602**	**28**	**4,630**
Change in value of financial instruments recognized in equity					(1)		(1)	4	3
Actuarial differences on post-employment benefits					2		2		2
Exchange differences				(62)			(62)	(3)	(65)
Net income for the year (before appropriation)						858	858	24	882
Total comprehensive income for the period				**(62)**	**1**	**858**	**797**	**25**	**822**
Effect of acquisitions, disposals and other			9				9	11	20
Dividend for the year (6)			(150)				(150)	(13)	(163)
Repurchase commitment of non-controlling interests			4				4	(6)	(2)
Equity at 31 December 2018	**100**	**714**	**3,923**	**(313)**	**(20)**	**858**	**5,262**	**45**	**5,307**

(1) The share capital of RCI Banque S.A. (100 million euros) consists of 1,000,000 fully paid up ordinary shares with par value of 100 euros each, of which 999,999 ordinary shares are owned by Renault S.A.S.

(2) Attributable reserves include the share premium account of the parent company.

(3) The change in translation adjustments at 31 December 2018 relates primarily to Argentina, Brazil, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco. At 31 December 2017, it related primarily to Argentina, Brazil, the United Kingdom, South Korea, Russia and Turkey.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for -€8m and IAS 19 actuarial gainsand losses for -€12m at end-December 2018.

(5) Restatement following the first time application of IFRS 9 (refer to IAS 39 to IFRS 9 transition table).

(6) Payment of an interim dividend to the Renault shareholder of €150M in the group share of equity.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	12/2018	12/2017
Net income attributable to owners of the parent company	**858**	**721**
Depreciation and amortization of tangible and intangible non-current assets	9	7
Net allowance for impairment and provisions	158	50
Share in net (income) loss of associates and joint ventures	(15)	(15)
Deferred tax (income) / expense	50	83
Net loss / gain from investing activities	4	4
Net income attributable to non-controlling interests	24	27
Other (gains/losses on derivatives at fair value through profit and loss)	(12)	(10)
Cash flow	**1,076**	**867**
Other movements (accrued receivables and payables)	(222)	(15)
Total non-monetary items included in net income and other adjustments	***(3)***	***130***
Cash flows on transactions with credit institutions	337	1,155
- Inflows / outflows in amounts receivable from credit institutions	*100*	*(6)*
- Inflows / outflows in amounts payable to credit institutions	*237*	*1,161*
Cash flows on transactions with customers	(2,957)	(3,513)
- Inflows / outflows in amounts receivable from customers	*(3,963)*	*(6,184)*
- Inflows / outflows in amounts payable to customers	*1,006*	*2,671*
Cash flows on other transactions affecting financial assets and liabilities	2,833	1,874
- Inflows / outflows related to AFS securities and similar	*228*	*(351)*
- Inflows / outflows related to debt securities	*2,355*	*2,211*
- Inflows / outflows related to collections	*250*	*14*
Cash flows on other transactions affecting non-financial assets and liabilities		61
Net change in assets and liabilities resulting from operating activities	**213**	**(423)**
Net cash generated by operating activities (A)	**1,068**	**428**
Flows related to financial assets and investments	(69)	(23)
Flows related to tangible and intangible non-current assets	(19)	(8)
Net cash from / (used by) investing activities (B)	**(88)**	**(31)**
Net cash from / (to) shareholders	*(150)*	*49*
- Dividends paid	*(163)*	*53*
- Inflows / outflows related to non-controlling interests	*13*	*4*
Net cash from / (used by) financing activities (C)	**(150)**	**(49)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (D)	**(13)**	**(12)**
Change in cash and cash equivalents (A+B+C+D)	**817**	**336**
Cash and cash equivalents at beginning of year:	1,975	1,639
- Cash and balances at central banks	*1,303*	*1,040*
- Balances in sight accounts at credit institutions	*672*	*599*
Cash and cash equivalents at end of year:	2,792	1,975
- Cash and balances at central banks	*2,018*	*1,303*
- Credit balances in sight accounts with credit institutions	*916*	*906*
- Debit balances in sight accounts with credit institutions	*(142)*	*(234)*
Change in net cash	**817**	**336**

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, France.

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

The consolidated financial statements of the RCI Banque S.A. group as at 31 December relate to the Company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The RCI Banque group consolidated accounts at 31 December 2018 were approved by the Board of Directors meeting on 8 February 2019 and will be put before the Annual General Meeting on 22 May 2019 for its approval. It has been decided to pay an interim dividend of €150M to the Renault shareholder.

The RCI Banque consolidated accounts for the financial year to 31 December 2017 were approved by the Board of Directors meeting on 12 February 2018 and approved by the Annual General Meeting on 22 May 2018. Said meeting decided not to pay dividends on the 2017 results.

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2018

On 1 January 2018, RCI Servicios Colombia S.A. was fully integrated into the consolidation perimeter, with a holding of 94.98%. Its business consists of offering services related to customer and network sales in Colombia.

- New issues of Securitisation Mutual Funds:

  - On 13 April 2018 the FCT Cars Alliance Auto Loans France V 2018-1 issued senior debt securities for €700M and subordinate debt securities for €22.8M, rated AAA (sf)/Aaa (sf) and AA (high)(sf)/Aa3(sf) respectively by DBRS and Moody's.
  - On 20 July 2018 the FCT Cars Alliance DFP France issued senior debt securities for €1,000M rated AA(sf) and Aa2(sf) by DBRS and Moody's.

Foreign affiliates that do not have a tax agreement with France

In accordance with the Order of 6 October 2009 in application of Article L. 511-45 of the Code monétaire et financier (French Monetary and Financial Code), RCI Banque declares that it has a 95% holding in RCI Servicios Colombia S.A. in Colombia. The business of RCI Servicios Colombia S.A. consists in receiving commissions on lending provided to a business partner. This affiliate's main management indicators are monitored on a monthly basis.
At 31 December 2018, its income before tax came to €1.00m.

Other information to be reported for 2018

Hyperinflation: Argentina has moved into hyperinflation. As the RCI Banque group has subsidiaries there, its impact is thus included at end December 2018 in the result under inflation exposure.

Brexit, which is scheduled for 29 March 2019, has not resulted in provisions for liabilities and charges in the RCI Banque group at 31 December 2018.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, the RCI Banque group has prepared its consolidated financial statements for 2018 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) to 31 December 2018 and as adopted in the European Union by the statement closing date.

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 1st January 2018.

New regulations that must be applied at 1st January 2018

Amendment to IFRS 2	Classification and valuation of payments on share basis
Amendments to IAS 40	Transfers of investment property
Amendments to IFRS 4	Amendments to IFRS 4 on insurance policies
IFRS 9	Financial instruments
IFRS 15 and subsequent amendments	Revenue from ordinary activities from policies with customers
2014-2016 annual improvements	Miscellaneous provisions

Changes relating to the application of IFRS 9 and 15 are given below.

Other standards and amendments that must be applied from 1st January 2018 have no significant effect on the group's financial statements.

IFRS 9 - Financial Instruments

On 29 November 2016, the European Union published in its Official Journal IFRS 9 "Financial Instruments" which is applied to the RCI Banque group's consolidated accounts as from 1st January 2018. The requirements of IFRS 9 have introduced numerous changes compared to the principles set out in IAS 39 "Financial Instruments – Recognition and Measurement". Major changes in the group's accounting principles are given below.

The changes brought by IFRS 9 include:

- an approach to the classification and measurement of financial assets reflecting the business model in which they are managed and their contractual cash flows: loans and debt instruments that are not considered as "basic" under the standard (Solely Payments of Principal and Interest) will be measured at fair value through profit or loss, whereas "basic" loans and debt instruments will be measured at amortized cost or fair value through equity, depending on the management model used for those assets. The changes relating to financial liabilities concern liabilities measured at fair value through profit or loss on option, for which changes in own credit risk must be recognized in equity.
- a single credit risk impairment model: IFRS 9 moves from provisioning based on actual credit losses to a forward-looking provisioning model based on expected credit losses:
  - The new impairment model will require 12-month expected credit losses on issued or acquired instruments to be booked as soon as those instruments are recognized on the balance sheet and off balance sheet.
  - Lifetime expected credit losses will have to be recognized whenever there is a significant increase in credit risk since initial recognition.
- a noticeably reformed approach to hedge accounting: the aim of the IFRS 9 model is to better reflect risk management, notably by extending risks eligible for hedging. Pending a future macro-hedging standard, IFRS 9 allows current hedge accounting rules (IAS 39) to be applied to all hedging relationships or just to macro hedging relationships.

In RCI Banque, these are the main steps implemented for the transition to IFRS 9 "Financial Instruments":

• Classification of financial assets (phase 1)

a) Business model criteria

Generally speaking, the RCI Banque group's business model is as follows; the aim is to:

- retain customer contracts so as to collect contractual cash flows ("collect business model"),
- hold securities so as to collect cash and sale flows ("collect & sale business model").

In light of RCI Banque's activity and management mandates, there is no intention or realization of trading / realization of gains or losses in relation to a change of market value of the financial instrument under consideration that would justify measurement of the financial instrument at fair value through profit or loss.

b) SPPI test (solely payment of principal and interest)

In addition to the aforementioned business model criteria, a second test relating to contractual payment flows is to be implemented to determine the method of measuring financial instruments. The test is going to check whether positive cash-flow only meets repayment of the principal and interest on the principal remaining due.

A SPPI test has been uniformly developed in accordance with IFRS 9 in the group.

As a result:

UCITS measured at fair value through other comprehensive income (FVOCI) are now to be measured at fair value through profit or loss (FVP&L). This is the only type of asset that does not pass SPPI tests at RCI. With respect to the other categories of financial assets under IFRS 9, in particular financing receivables, SPPI tests are validated.

• Presentation of the new IFRS 9 categories

Assets:

Changes to be noted are:

- UCITSs are now measured at fair value through P&L (under IAS 39, they were measured at fair value through OCI).
- non consolidated investments valued at historic cost, in accordance with IAS 39, are now valued at fair value through P&L.

There are no measurement changes for any other categories.

Liabilities:

IFRS 9 does not make any changes in the classification and valuation of financial liabilities.

• Significant deterioration in risk (definition of bucketing)

Each financial instrument included within the scope of IFRS 9 will, at statement closing date, have to be risk-classified. The risk category in which it is classified will depend on whether or not it has undergone any significant deterioration in its credit risk since its initial recognition. The level of provisioning for expected credit losses to be booked for each instrument will depend on this classification:

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

This segmenting of transactions by level of risk, brought in by the standard, will have to be embedded in the credit risk monitoring and management processes used by the group's entities, and implemented in operational systems.

The date of origination is defined for each individual financial instrument, not for each counterparty (e.g. date on which business relationship initiated).

The date of origination is defined as follows:

- for irrevocable financing commitments, the date of origination is the date on which the commitment is signed, or in the case of Dealer financing commitments, the date of the most recent review of limits,
- for instalment loan outstandings, finance lease and operating lease transactions, the date of origination is the date on which they come under management, i.e. date on which the financing commitment is reversed and the receivable recognized on the balance sheet,
- for Dealer credit "single account" outstandings, the date of origination will be the date on which the account most recently went into a negative balance,
- for securities, the date of origination is the date of purchase.

Indicators for identifying significant deterioration in risk since origination.

The RCI Banque group has analyzed the fitness for purpose and availability of these indicators, and their appropriateness from the risk management perspective across all of these portfolios.

In line with the principle of proportionality, this analysis identified a number of main portfolio families according to the following criteria:

- Geographical criteria: countries that have an internal rating system for most of their outstandings based on behavioral scores used to monitor the quality of facilities in the portfolio are to be identified separately. These countries are known as the "G7 countries". The other countries have approval scoring but do not have internal rating systems that are updated during the receivable lifecycle.
- Product criteria: loans to Customers or Dealers, which are subject to advanced monitoring by means of specific indicators, need to be looked at separately from other more "marginal" types of product in the group's activities, such as factoring, the securities portfolio and operating leases.
- Customer criteria: a distinction needs to be made between the different customer bases considered, for example Consumers, Dealer network, very large companies, and even banks and governments (for securities).

On the basis of the work and analyses performed, the system defined within the RCI Banque group takes into account the segmentation characteristics mentioned above. On this basis, the approach to monitoring significant deterioration in risk for non-doubtful facilities relies on the following indicators:

1. Portfolios covered by an internal rating system: the internal rating must be used;
2. Portfolios that do not have any internal rating but do have external ratings: the external rating must be considered if the information is available at a reasonable cost and within a reasonable time limit;
3. All portfolios: significant deterioration in risk will also use the number of days' arrears indicator;
4. All portfolios: the forbearance indicator must be considered as a "qualitative" indicator for downgrading to bucket 2.

Where the indicator used is an internal or external rating, significant deterioration will be measured by comparing the counterparty's rating on the reporting date with the counterparty's rating on the date of origination of the facility.

There is no contagion principle in IFRS 9 for non-doubtful facilities; an entity may have various contracts with a given counterparty that are in different buckets, as credit risk is assessed in relation to contract origination.

As regards entities that do not have an internal rating system for their loans to customers, the RCI Banque group has decided to introduce a memory effect with respect to the existence of past arrears, meaning that once an overdue payment has been settled, the facility concerned will temporarily remain in bucket 2.

Rebuttable presumption of significant deterioration when payments are more than 30 days past due

The standard introduces a rebuttable presumption for payments that are more than 30 days past due §5.5.11. It allows use of this presumption as a safety net on top of other, earlier, indicators of a significant increase in credit risk.

This presumption is aligned with risk monitoring and management practices within the RCI Banque group. Consequently, the group has decided not to refute this presumption and to consider that all facilities for which payments are more than 30 days past due are in bucket 2.

Rebuttable presumption of signification deterioration when payments are 90 days past due

IFRS 9 indicates a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

This presumption is aligned with the current definition of default within the RCI Banque group as presented above. Consequently, the group has decided not to refute this presumption and to consider that all facilities with payments that are more than 90 days past due are in bucket 3.

This presumption may however be refuted for certain targeted portfolios (e.g. loans to large companies) with the agreement of the Corporate risk department concerned. At each statement closing date, facilities for which this presumption has been refuted will be listed and the reason duly documented.

• The write-off policy including factors enabling the conclusion that there is no reasonable expectation of recovery

The treatment of write-offs is detailed in IFRS 9 §5.4.4: the gross carrying amount of a financial asset shall be reduced when there are no reasonable expectations of recovery. The standard states that a definition of the downgrade is needed so that the gross carrying amount is represented fairly. A write-off is considered a derecognition event and may relate to either the financial asset in its entirety or a portion of it.

The current group standard for writing off receivables as bad debt is in line with the definition given by IFRS 9. Subsidiaries are required to remove outstandings from the balance sheet through a loss account once it has been confirmed that they will never be collected, which therefore means no later than when the subsidiaries' rights as creditors are extinguished.

In particular, receivables become irrecoverable (bad debt) and are therefore removed from the balance sheet if they are:

- receivables write-off of which has been negotiated with the customer, for example as part of a recovery or remedial plan,
- time-barred claims,
- receivables in respect to which an unfavorable legal ruling has been issued (negative outcome of proceedings initiated or legal action),
- claims against a customer who has vanished.

• Definition of default used at RCI Banque

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

It is also important to note that at the RCI Banque group level, the notion of "doubtful" used in accounting and the Basel notion of "default" are closely aligned.

The decision to take the doubtful debt accounting notion existing under IAS 39 as a basis for identifying B3 assets was made for the following reasons:

- Insignificant differences between the two notions,
- Continuity in the doubtful debt base between IAS 39 and IFRS 9.

As a reminder, with respect to the "Customer" business, a receivable is considered as doubtful as soon as:

- one or more instalments have remained unpaid for at least three months,
- or the deterioration in the counterparty's financial circumstances translates into a risk of non-collection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets, or in the event of summons to appear before an international court.
- or there are litigation proceedings between the establishment and its counterparty.

With respect to the Dealer business, the definition of default is covered by a specific procedure based on:

- the existence of an instalment that has remained unpaid for more than three months (or first unpaid instalment on a forborne exposure),
- the existence of a collective procedure,
- the presence of indicators that express uncertainty as to future payment such as financial contract end, actual fraud...

Reminder: Compromised receivables are doubtful loans for which the likelihood of collection is remote and that are expected to be written off.

A receivable is classified as compromised when the counterparty is declared to have defaulted, or in leasing, when the lease agreement is terminated, and in any event, one year at the latest after the receivable has been classified as doubtful.

If after a receivable has been reclassified as sound, the debtor does not meet the payment deadlines set, that receivable is immediately downgraded to compromised receivable status.

Purchased or originated credit impaired loans (POCI): these financial assets, which are credit-impaired at the time of their creation (loans to a doubtful dealer for example) are treated differently, as they are impaired at initial recognition. Such transactions are classified in Bucket 3 at initial recognition.

Within the RCI Banque group, this category mainly concerns the Dealer customer base, which may continue to receive financing even when the dealer has been classified as defaulted. This category of receivables must be kept to a minimum and is subject to Risk Committee agreement.

The acquisition of receivables (doubtful or sound) is not part of the RCI Banque group's business model.

The following are not included as receivables in default:

- disputed receivables: receivables where the customer refuses to make payment further to a dispute over interpretation of the clauses in the contract (if the customer's financial situation does not seem to be compromised),
- customers with negotiable payment terms if, and only if, there is no doubt that the debt will be collected,
- receivables that are affected by a country risk only: a receivable should not be considered as doubtful just because a country risk exists.

• Calculating ECL (phase 2)

Under IFRS 9, there is no longer any need for an operative event to occur for an impairment to be booked, as was the case under IAS 39 ("incurred loss"). Thus, all financial instruments within the scope of the standard are assigned an impairment for expected losses at initial recognition:

- At initial recognition, the instrument is assigned a loss allowance representing 12-month expected credit losses (Bucket 1).
- If there has been a significant increase in credit risk since initial recognition, the instrument is then assigned a loss allowance representing lifetime expected credit losses.

The provisioning model covers assets measured at amortized cost or at fair value through OCI (as per the classification resulting from Phase 1) and must align with the monitoring of increasing credit risk.

This general impairment model can be illustrated as follows:

Evolution in credit risk since initial recognition		
Bucket 1	**Bucket 2**	**Bucket 3**
No significant increase in credit risk (initial recognition*)	Significant increase of credit risk since the initial recognition except for financial assets with low credit risk at the reporting date	Credit impaired
Including low credit risk	*Including Forbearance*	*Including POCI***
Impairment equivalent to		
12-month expected credit losses (ECL)	Lifetime expected credit losses (ECL)	Lifetime expected credit losses (ECL)
Interest revenue		
Effective interest on gross carrying amount	Effective interest on gross carrying amount	Effective interest on amortised cost (net carrying amount after deduction of expected losses)

**except in case of credit impairment at the initial recognition.*
***POCI refer to default definition.*

The main guidelines for this new provisioning model are as follows:

1. The aim is a relative approach to deterioration per instrument rather than an absolute approach based on the crossing of a single risk threshold.
2. The provisioning model for expected losses has to be applied symmetrically in the event of a deterioration in credit risk as well as in the event of an improvement.
3. The system has to be prospective (forward-looking) with respect not only to aspects of significant deterioration in credit risk, but also in the measurement of expected credit losses.

In calculating expected credit losses, the Standard requires entities to incorporate relevant (validated) internal and external information that is reasonably available, in order to make prospective (forward-looking) estimates of credit losses, which includes information about past events, current conditions and forecasts of future events and economic conditions.

In order to assess potential impacts related to macro-economic expectations, an assessment is also required for each of these terms of any links they have with the macro-economic variables, which might then be the subject of specific monitoring when implementing the operational provisioning process.

IFRS 9 stipulates that assessments should consider all the contractual terms of the instrument. The estimates take into account Balance sheet/Off-balance sheet exposures adjusted for future drawdowns and/or early repayments.

As a reminder, a lifetime expected credit loss calculated for Bucket 2 is equivalent to determining the expected loss if the facility goes into default at a given point in its lifetime. In the repayment loan context, the amount to which the group will be exposed depends greatly on the point in time at which the future default event is recorded. Therefore it is important to take repayment schedules into account, so as to give a realistic overview of future exposure.

In addition to contractual schedules, the RCI Banque group also needs to model early repayment rates in order to convey the economic reality of portfolio management. This point has particular impact for facilities for which a lifetime ex-pected loss is measured.

As regards financing commitments where the RCI Banque group has committed to release the relevant funds on customer request, the likelihood that this off-balance sheet commitment will be converted to an on-balance sheet commitment will also have to be assessed. For all other off-balance sheet items, as in the prudential approach, a credit conversion factor (CCF) will have to be taken into account to assess the proportion of off-balance sheet outstandings on the reporting date that will actually be drawn at the future date of defaulting.

Unlike the regulatory approach, no prudence adjustments may be used to take into account the risk related to an economic slowdown.

Unlike the prudential environment, IFRS 9 does not require calibration of a 12-month probability of default. However, to the extent that the RCI Banque group is going to build on the Basel systems to calculate its IFRS 9 parameters, it will need to provide for a methodological or calibration adjustment for facilities whose residual maturity at the reporting date is less than one year.

The standard is not prescriptive in terms of how probabilities of default to be used in calculating lifetime expected loss are to be calibrated. This means that the RCI Banque group is free to choose the approach to calibrating this parameter (term structure, transition matrices, etc.) that it feels is appropriate, provided that it demonstrates the fitness for purpose of the approach selected.

The regulatory PD is calibrated over a long-term average (TTC- through the cycle) whereas the accounting environment has to present an overview at the reporting date taking into account current and expected macro-economic conditions. To do this, RCI Bank & Services has decided to use its stress testing process to adjust future PDs according to future macro-economic variables, and to help experts to make their decisions. Nevertheless, because of the technical constraints for implementing the forward looking method in ECL calculation tools, currently, a "point in time" calculation of ECLs is made to which a forward looking view is applied based on a multi-scenario approach (3 scenarios).

IFRS 9 does not contain any specific reference to a particular observation and collection period for the historical historic data used in calculating LGD parameters. The LGD estimates as determined in the prudential environment using the IRB approach can therefore, for the countries concerned, be used as a starting point, with the necessary adjustments brought to make them compliant with the standard.

As stated previously, the standard requires prospective (forward-looking) information to be considered with respect to both the significant deterioration of risk and to determining ECLs.

The incorporation of this forward-looking information must not be seen as a form of stress-testing and its purpose is not to determine a prudence adjustment to the amount of provisions. The aim is mainly to take into account the fact that past observations are not necessarily a reflection of future expectations and therefore adjustments are needed in relation to a provision amount determined on the basis of parameters calibrated solely on a historical basis.

This adjustment to the provision amount may be upward or downward, provided that it is adequately documented with respect to the assumption/ projection aspects of the macro-economic parameters and to their impact on the calculation parameters.

At RCI Banque, phase 2 of IFRS 9 concerns customer loans and advances (including finance and operating leases) and interbank exposures, off-balance sheet financing commitments and debt instruments in assets that are recognized at amortized cost or FVOCI under the new IFRS 9 classification.

This therefore means most of the financial assets on the balance sheet within the RCI Banque group. The only financial instruments for which there is no impairment calculation are financial instruments measured at fair value through profit or loss and by an alternative method, as their changes in value have a direct impact on the group's profit or loss or the group's reserves respectively, and in accordance with the previous section, they are mainly limited to UCITS and non-consolidated holdings.

From an operational point of view, this means that the following products are within the scope of the impairment section of IFRS 9:

Instalment loan outstandings

- Retail.
- Corporate for loans granted to dealers.
- Corporate for factoring.

Finance lease outstandings (recognition according to IAS 17)

- leasing (Retail).
- long-term leasing with commitments to take back vehicles outside the RCI Banque group (Corporate).

Operating lease receivables due (recognition according to IAS 17)

- battery leases for electric vehicles (Retail).
- leases with risk carried by the subsidiary (Retail).
- short term financing for Renault services vehicles (Corporate).

Off-balance sheet commitments

- financial guarantees granted.
- financing commitments that create a legal obligation to grant current credit.

Securities in assets

Treasury bills and bonds (whether or not eligible for HQLA classification in the LCR short term liquidity ratio calculation), previously classified as AFS, and that are valued in FVOCI since IFRS 9 came into effect.

NB: UCITSs are valued at fair value through P&L, and non consolidated investments at fair value through P&L.

Calculation of ECLs will be based on identified portfolios within RCI Banque's IFRS 9 scope, namely:

Lot 1: credit and financing finance lease to customers, including irrevocable financing commitments and financial guarantees given G7 subsidiaries*.

Lot 2: credit to network (dealers and manufacturer), including irrevocable financing commitments and financial guarantees given G6 subsidiaries**.

Lot 3: credit and financing finance lease to customers non G7 subsidiaries.

Lot 4: credit to network (dealers and manufacturer) non G6 subsidiaries and interbank loans and securities.

Lot 5: other financial assets.

**Subsidiaries in France, Germany, Spain, Italy, Korea, United Kingdom, Brazil.*
*** Subsidiaries in France, Germany, Spain, Italy, Brazil, United Kingdom.*

So as to ensure consistency between its prudential risk management system and its accounting system for assessing allowances and provisions, the RCI Banque group, in accordance with the recommendations of the Basel Committee and the EBA, is going, as far as possible, to use the existing Basel system to generate the IFRS 9 parameters needed for its calculations. The portfolios covered by the IRB approach (advanced method) will however require adjustments to parameter calibration to ensure their compliance with IFRS 9 and need to consider economic forecasts and conditions and recent shifts that are not adequately factored in on the reporting period end-date (by comparison with a notion of cycle lows or long-term historical average in the prudential environment).

Thus, an advanced approach based on the Basel credit risk models is implemented for lots 1 and 2. These lots represent more than 85% of the financial assets that are within the scope of IFRS 9. For the other lots, a simplified method will be used. IFRS 9 does not impose the development of sophisticated methodologies for calculating ECL, which means that a simplified approach can be used for less significant portfolios.

Lot 1: Based on advanced methodology including new IFRS 9-specific parameters: CCF, TRA, PD PIT, ELBE IFRS 9.

Lot 2: Based on advanced methodology including new IFRS 9-specific parameters: PD, ELBE IFRS 9.

Lot 3: Based on simplified methodology using roll rate transition matrices***.

Lot 4: Based on simplified methodology using roll rate transition matrices.

Interbank lending and securities: Based on market standards or estimated using a simplified methodology: PD via the CDS and LGD curve at 60% or 80% depending on debt type.

Lot 5: simplified method of provisioning.

**** These are transition rates between brackets of unpaid amounts.*

Hedge accounting (phase 3)

The possibilities offered by IFRS 9 in terms of hedge accounting do not call into question the treatment used up until now. RCI Banque will keep its method of hedge accounting (see P-Derivatives and hedge accounting) macro-hedging and associated documentation for those macro-hedging transactions.

IAS 39 to IFRS 9 transition table

IFRS 7 requires a reconciliation for each category of financial assets valued in accordance with IAS 39 at the financial year-end (31/12/2017), with the new rules on opening the new financial year in accordance with IFRS 9 (01/01/2018).

	Opening under IAS 39	Reclassification	Revaluation under IFRS 9	Opening under IFRS 9
Asset available-for-sale	1,287	-1,287		0
Securities measured at fair value through OCI		1,080	-1	1,079
UCITS at fair value through P&L		179		179
Non consolidated holdings at fair value through P&L		27		27
Sight and term cash and balances at central banks, net	1,303			1,303
Credit instution outstandings, net	1,124		-1	1,123
Loans and advances to customers	43,430		-121	43,308
Other debtors	1,009		0	1,009
Revaluation of provisions for irrevocable commitments given and provisions for financial guarantees given			-6	-6
TOTAL	**48,151**	**0**	**-128**	**48,023**
Impact from the associated tax			39	
IFRS 9 impact in reserves (First time application)			**-89**	

Reclassifications of category:

The table therefore shows the reclassification of UCITSs at fair value through P&L as specified previously. Holdings are now measured at fair value through P&L.

Revaluation under IFRS 9:

Revaluation under IFRS 9 is related solely to the new IFRS 9 provisioning model. IFRS 9 moves from provisioning based on actual credit losses to a forward-looking provisioning model based on expected credit losses.

The impact attributable to first time application of IFRS 9 amounts to -128 million euros excluding deferred tax. The amount including deferred tax comes to -89 million euros and is included in equity reserves (of which -82 million concerns the group share).

• **Presentation of gross amounts outstanding on assets per IFRS 9 bucket**

1st January 2018 - In millions of euros

Receivables	Bucket 1	Bucket 2	Bucket 3	TOTAL
Customer financing	19,990	1,628	327	21,945
Dealer financing	10,741	278	107	11,126
Financial leasing	9,147	1,261	125	10,532
Operational leasing (amounts due)		1	4	5
Other	433		3	436
Sundry debtors	1,012			1,012
Total receivables, gross	**41,322**	**3,169**	**566**	**45,056**

31st December 2018 - In millions of euros

Receivables	Bucket 1	Bucket 2	Bucket 3	TOTAL
Customer financing	21,597	1,865	359	23,821
Dealer financing	10,471	445	83	10,999
Financial leasing	10,284	1,456	171	11,911
Operational leasing (amounts due)	0	4	7	10
Other	631		2	633
Sundry debtors	956			956
Total receivables, gross	**43,938**	**3,769**	**622**	**48,329**

Impairment- In millions of euros	Bucket 1	Bucket 2	Bucket 3	TOTAL
Amount at 1st January 2018	**(257)**	**(128)**	**(345)**	**(730)**
Charge	(114)	(115)	(272)	(501)
Used reversals	73	65	220	358
Unused reversals	53	13	15	81
Others(*)	3	2	4	9
Amount at 31 December 2018	**(242)**	**(163)**	**(378)**	**(783)**

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

IFRS 15 "Revenue from contracts with customers"

On 29 October 2016, IFRS 15 "Revenue from contracts with customers" was published in the Official Journal of the European Union. This standard will replace IAS 11 and IAS 18 and the related IFRIC and SIC interpretations. It puts forward a new five-step revenue recognition approach. It could have impacts on recognition of revenue from contracts containing several performance obligations with transaction prices that have a variable component, and on contracts that have a financing component. IFRS 15 also presents a new approach to accounting for warranties, distinguishing between assurance-type warranties and service-type warranties.

The analysis work done is not leading to the identification of any major changes in revenue recognition.

The group applies the new standard from 1st January 2018 in accordance with the retrospective method.

IFRS 16 "Leases"

In addition, the group is investigating the new IFRS 16 "Leasing agreements" approved by the European Union in October 2017.

New IFRS standards not adopted by the European Union		Effective date according to the IASB
IFRS 16	Leases	1st January 2019

On 16 January 2016, the IASB published IFRS 16 "Leases", which will replace IAS 17 and the related IFRIC and SIC interpretations and, for the lessee, will eliminate the distinction previously made between operating leases and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a financial liability representing its obligation to make lease payments. The right-of-use asset is amortized and the obligation to make lease payments is measured initially 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. If that rate cannot be readily determined, the lessee's incremental borrowing rate is to be used.

On the other hand, for the lessor, the treatment of leases under this standard is very similar to that under the existing standard. Analysis work currently being conducted has not identified any major changes.

The group will apply IFRS 16 from 1st January 2019 as required by the standard. As the impact study now stands, the group considers that application of the standard will have the effect of increasing its gross tangible capital assets by 47%.

Financial debts will increase accordingly.

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 2021

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 is not planning to apply this standard early.

B- CONSOLIDATION PRINCIPLES

Scope and methods of consolidation

The consolidated financial statements incorporate the accounts of companies over which the group directly or indirectly (subsidiaries and branches) exercises control, within the meaning of IFRS 10 (associate companies or joint control - joint ventures).

Associate companies and joint ventures are accounted for under the equity method (IFRS 11).

The securitized assets of Diac S.A., RCI FS Ltd, Banco RCI Brasil S.A, and the Italian and German branches, as well as the loans granted to Renault Retail Group, inasmuch as the majority of the risks and benefits thereof are retained by the RCI Banque group, remain on the asset side of the balance sheet.

Significant transactions between consolidated companies are eliminated.

For the most part, the companies included in RCI Banque's scope of consolidation are the Renault, Nissan, Dacia, Samsung and Datsun vehicle sales finance companies and the associated service companies.

Acquisition cost of shares and goodwill

Goodwill is measured at the acquisition date, as the excess of:

- The total amount transferred, measured at fair value, and any participation amount which does not give controlling interest in the acquired company;

And

- The net carrying amounts of acquired assets and liabilities.

Costs related to the acquisition such as broker's commissions, advisory fees, legal, accounting, valuation and other professional and consulting fees, are recorded as expenses for the periods when costs are incurred and services received.

Debt issuance or equity costs are accounted for under IAS 32 and IFRS 9.

If the business combination generates a negative goodwill, it is recorded immediately in the profit and loss account.

An impairment test is performed at least annually and whenever there is an indication of a loss in value, by comparing the book value of the assets with their recoverable amount, the latter being the highest value between the fair market value (after deducting the cost of disposal) and the going concern value. The going concern value is based on a market approach and determined by using multiples for each group of cash-generating units, which comprise legal entities or groups thereof in the same country. A single discounting value is used for all cash-generating units thus tested, which is the risk-free 10-year forward rate augmented by the average risk premium for the sector in which they operate.

One-year data projections about profit or loss are used.

Goodwill is therefore measured at its cost less any accrued impairment losses. If impairment is found, the impairment loss is recognized in the income statement.

Transactions with non-controlling interests (purchases/sales) are booked as capital transactions. The difference between the amount received or paid and the book value of the non-controlling interests sold or bought is recognized directly in equity.

Non-controlling interests

The group has granted buy-out commitments on the interests held by minority shareholders in fully consolidated subsidiaries. For the group, these buy-out commitments represent contractual obligations arising from the sales of put options. The exercise price for these options is determined by estimating the price the RCI Banque group would have to pay out to the non-controlling interests if the options were exercised, taking into account future returns on the financing portfolio existing at the closing date and the provisions set out in the cooperation agreements concerning the subsidiaries.

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities for a total amount of €140m at 31 December 2018, against €154m at 31 December 2017. This liability is initially measured at the present value of the estimated exercise price of the put options.

The counterpart entries for this liability are booked as decreases in the non-controlling interests underlying the options and, for the balance, a decrease in equity attributable to the owners of the parent company. The obligation to recognize a liability even though the put options have not been exercised means that, in order to be consistent, the group has applied the same accounting treatment initially as that applied to increases in its proportionate interests in controlled entities.

If the options have not been exercised when this commitment expires, the previous entries are reversed. If the options are exercised and the buyout is made, the amount recognized as a liability is extinguished by the cash outlay associated with the buy-out of the non-controlling interests.

C - PRESENTATION OF THE FINANCIAL STATEMENTS

The summary statements are presented in the format recommended by the Autorité des Normes Comptables (French Accounting Standards Authority) in its Recommendation n° 2017-2 of 14 June 2017 on the format of consolidated financial statements for banking sector institutions applying international accounting standards.

Operating income includes all income and expense directly associated with RCI Banque group operations, whether these items are recurring or result from one-off decisions or transactions, such as restructuring costs.

D - ESTIMATES AND JUDGMENTS

In preparing its financial statements, RCI Banque has to make estimates and assumptions that affect the book value of certain assets and liabilities, income and expense items, and the information disclosed in certain Notes. RCI Banque regularly reviews its estimates and assessments to take account of past experience and other factors deemed relevant in view of economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in RCI Banque's future financial statements could differ from current estimates. The main items in the financial statements that depend on estimates and assumptions are the recoverable value of loans and advances to customers and allowances for impairment and provisions.

These estimates are taken into account in each of the relevant Notes.

E - LOANS AND ADVANCES TO CUSTOMERS AND FINANCE LEASE CONTRACTS

Measurement (excluding impairment) and presentation of loans and advances to customers

Sales financing receivables from end customers and dealer financing receivables come under the category of "Loans and advances issued by the company". As such, they are initially recorded at fair value and carried at amortized cost calculated according to the effective interest rate method.

The effective interest rate is the internal rate of return to maturity or, for adjustable-rate loans, to the nearest rate adjustment date. The discounted amount of amortization on any difference between the initial loan amount and the amount payable at maturity is calculated using the effective interest rate.

In addition to the contractual component of the receivable, the amortized cost of sales financing receivables includes interest subsidies received from the car maker or dealer as part of promotional campaigns, handling fees paid by customers, and commissions paid for referral of business. These items, which are all factors in the return on the loan, are either deducted from or added to the amount receivable. They are recognized in the income statement as a pro-rated portion discounted at the effective interest rate for the receivables to which they apply.

Finance lease contracts, as identified by the rules described in Part E, are in substance booked as sales financing receivables.

Income from the resale of vehicles at the end of finance lease contracts is included under "Net income / (expense) of other activities".

As a result, gains and losses on the resale of vehicles coming off performing lease agreements, amounts charged to or recovered from allowances for risks on residual values, and gains or losses resulting from damage to vehicles less any corresponding insurance settlements, are recorded under "Other income related to banking operations" and "Other expenses related to banking operations".

Identifying credit risk (see part A)

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

- A group-wide rating for borrowers in the Dealer segment, which is used during the various phases of the relationship with the borrower (initial approval, risk monitoring, provisioning).
- A group-wide rating for bank counterparties, which is established on the basis of external ratings and each counterparty's level of capital.
- For "Customer" borrowers, different acceptance scoring systems are used; these vary by affiliate and by type of financing.

Forborne exposures

The RCI Banque group uses the definition given by the European Banking Authority (EBA) in its ITS (Implementing Technical Standards) 2013/03 rev1 of 24.07.2014 to identify its forborne exposures (restructured loans).

Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

It thus refers to cases where there is:

- a modification of the terms and conditions of a contract in order to give the customer in financial difficulties the chance to meet their commitments (such as a change to the number of repayments, extension of term, change to instalment amount, change to customer interest rate),
- a total or partial refinancing of a troubled debt contract (instead of terminating it) that would not have been granted had the customer not been in financial difficulties.

The classification of contracts as forborne exposures is separate from provisioning (for example, a contract that is forborne and returns to being considered as performing will not be provisioned and yet will be classified as a forborne exposure throughout the probation period).

Receivables whose characteristics have been commercially renegotiated with counterparties not in financial difficulties are not identified as forborne exposures.

The definition of forborne exposure is applied at the level of the individual contract ("facility") that is forborne, and not at the level of the third party (no contagion principle).

Financial difficulties however, are assessed at the debtor level.

The forbearance classification of a contract is discontinued when all of the following conditions are met:

- The contract is considered as performing and analysis of the financial condition of the debtor shows that they have recovered their creditworthiness and debt service ability,
- A minimum 2-year probation period has passed from the date the forborne exposure returned to being considered as performing,
- Regular and significant payments have been made by the debtor during at least half of the probation period,
- None of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

If a contract currently considered as performing but previously classified as forborne again benefits from forbearance measures (such as an extension of term) or if any of the exposures to the debtor is more than 30 days past-due, it must be re-classified as a forborne exposure.

Impairment for credit risk (see part A)

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

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

Definition of Expected Credit Loss

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

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

Generic ECL formula

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

$$ECL_{Maturity} = \sum_{i=1\,month}^{M\,month} \boldsymbol{EAD}_i * \boldsymbol{PD}_i^{9} * \boldsymbol{ELBE}_o^{9} * \frac{1}{(1+t)^{t/1z}}$$

With:

M = maturity
$\boldsymbol{EAD}_i$ = expected exposure at the time of the start of default for the year in question (taking into account any early repayments)
$\boldsymbol{PD}_i^{9}$ = probability of default during the year in question
$\boldsymbol{ELBE}_o^{9}$ = best estimate of the loss in the event of default on the facility
t = discount rate

Each of the parameters is individually calibrated.

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

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

Probability of default – PD

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

Best estimate of loss in the event of default – ELBE 9 IFRS 9

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

Update

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

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

Forward-looking perspective

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

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

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

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

Rules for writing off loans

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

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

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

Impairment of residual values

The RCI Banque group regularly monitors the resale value of used vehicles across the board so as to optimize the pricing of its financing products.

In most cases, tables of quoted prices showing typical residual values based on vehicle age and mileage are used to determine the residual value of vehicles at the end of the contract term.

However, for contracts under which the trade-in value of the vehicle at the end of the contract term is not guaranteed by a third party outside the RCI Banque group, an impairment allowance is determined by comparing:

a) the economic value of the contract, meaning the sum of future cash flows under the contract plus the re-estimated residual value at market conditions on the measurement date, all discounted at the contract interest rate;

b) the carrying value on the balance sheet at the time of the measurement.

The projected resale value is estimated by considering known recent trends on the used vehicle market, which may be influenced by external factors such as economic conditions and taxation, and internal factors such as changes in the model range or a decrease in the car maker's prices.

The impairment charge is not offset by any profit on resale.

F - OPERATING LEASES (IAS 17)

In accordance with IAS 17, the RCI Banque group makes a distinction between finance leases and operating leases.

The general principle that the RCI Banque group uses to classify leases as one or the other is whether the risks and rewards incidental to ownership are transferred to another party. Thus, leases under which the leased vehicle will be bought back by an RCI Banque group entity at the end of the lease are classified as operating leases since most of the risks and rewards are not transferred to a third party outside the group. The classification as operating leases of lease contracts that contain a buy-back commitment from the RCI Banque group also takes into account the estimated term of such leases. This lease term is far shorter than the economic life of the vehicles, which is put by the Groupe Renault at an estimated seven or eight years, depending on the type of vehicle. Consequently, all leases with this buy-back clause are treated as operating leases.

The classification of battery leases for electric vehicles as operating leases is justified by the fact that the RCI Banque group retains the risks and rewards incidental to ownership throughout the automobile life of the batteries, which is put at between eight and ten years, and so is much longer than the lease agreements.

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

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

G - TRANSACTIONS BETWEEN THE RCI BANQUE GROUP AND THE RENAULT-NISSAN ALLIANCE

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

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

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

Sales support

At 31 December 2018, the RCI Banque group had provided €20,970m in new financing (cards included) compared with €20,655m at 31 December 2017.

Relations with the dealer network

The RCI Banque group acts as a financial partner to ensure and maintain the sound financial health of the Renault-Nissan Alliance distribution networks.

At 31 December 2018, dealer finance net of impairment allowances amounted to €10,887m against €10,948m at 31 December 2017.

At 31 December 2018, €791m was finance directly granted to subsidiaries or branches of Groupe Renault against €937m at 31 December 2017.

At 31 December 2018, the dealer network had received, as business introducers, remuneration of €854m against €757m at 31 December 2017.

Relations with the car makers

The RCI Banque group pays the car maker for vehicles delivered to dealers for which it provides financing.

Conversely, at the end of the contract, the Groupe Renault pays the RCI Banque group for vehicles taken back under financial guarantees made by the car maker. These transactions generate substantial cash flows between the two groups.

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the RCI Banque group.
At 31 December 2018, this contribution amounted to 633 million euros against €599m against 31 December 2017.

H - RECOGNITION AND MEASUREMENT OF THE SECURITIES PORTFOLIO

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

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

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

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

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

Securities measured at fair value through OCI (FVOCI)

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

- Debt instruments:

These securities are measured at fair value (including accrued interest) and changes in value (excluding accrued interest) are recognized directly in equity under a revaluation reserve. Depreciation on this type of share follows the models recommended by IFRS 9 according to the ECLs.

I - NON-CURRENT ASSETS (IAS 16 / IAS 36)

Non-current assets are carried and depreciated using the components approach. The components of an asset item, especially a complex asset, are treated as separate assets if their characteristics or useful lives are different, or if they generate economic benefits at different rates.

Property, plant and equipment is measured at historical acquisition cost less accumulated depreciation and impairment losses, if any.

Non-current assets other than land are generally depreciated on a straight-line basis over the following estimated useful lives:

• **Buildings**	**15 to 30 years**
• **Other tangible non-current assets**	**4 to 8 years**

J - INCOME TAXES (IAS 12)

The restatements of the annual financial statements of companies included in the scope of consolidation, made to bring them into line with IAS standards for financial reporting purposes, and the tax deferrals allowed in the statutory statements filed for tax purposes, give rise to timing differences in the recognition of income for tax and financial reporting purposes. A timing difference is also recognized whenever the book value of an asset or liability differs from its value for tax purposes.

These differences give rise to the recognition of deferred taxes in the consolidated financial statements. Under the liability method used by RCI Banque, deferred tax expense is calculated by applying the last tax rate in effect at the closing date and applicable to the period in which the timing differences will be reversed. Within a given taxable entity (company, establishment, or tax consolidation group), deferred tax assets and liabilities are presented on a net basis whenever the entity is entitled to offset its tax receivables against its tax payables. Deferred tax assets are written down whenever their utilization is unlikely.

For fully consolidated companies, a deferred tax liability is recognized for taxes payable on advance dividend distributions by the group.

K - PENSION AND OTHER POST-EMPLOYMENT BENEFITS (IAS 19)

Overview of plans

The RCI Banque group uses different types of pension and post-employment benefit plans:

• Defined benefit plans:

Charges are booked to provisions for these plans to cover:

- Indemnities payable upon retirement (France),
- Supplementary pensions: the main countries using this type of plan are the United Kingdom, the Netherlands and Switzerland,
- Mandated savings plans: this type of plan is used in Italy.

Defined-benefit plans are in some cases covered by funds. Such funds are subject to periodic actuarial valuation by independent actuaries. The value of such funds, if any, is deducted from the corresponding liability.

The RCI Banque group affiliates that use external pension funds are RCI Financial Services Ltd, RCI Financial Services BV and RCI Finance S.A.

• Defined contribution plans:

In accordance with the laws and practices of each country, the group makes salary-based contributions to national or private institutions responsible for pension plans and provident schemes.

Such plans and schemes release the group from any later obligations, as the national or private institution is responsible for paying employees the amounts owed to them. Payments by the group are booked as expenses for the period to which they refer.

Valuation of liabilities for defined benefit plans

With respect to defined-benefit plans, the costs of post-employment benefits are estimated using the projected unit credit method. Under this method, benefit rights are allocated to periods of service according to the plan's vesting formula, taking into account a linearizing effect when rights are not vested uniformly over subsequent periods of service.

The amounts of future benefits payable to employees are measured on the basis of assumptions about salary increases, retirement age and mortality, and then discounted to their present value at a rate based on interest rates on the long-term bonds of top-grade issuers and on the estimated average term of the plan measured.

Actuarial gains or losses resulting from revision of the assumptions used in the calculation and experience-related adjustments are recognized as items of other comprehensive income.

The net expense of the period, corresponding to the sum of the cost of services rendered plus any past service costs, and to the cost of accretion of provisions less the return on plan assets is recognized in the income statement under personnel expenses.

Details by country are given in the notes to the balance sheet.

L - TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The presentation currency used by the group is the euro.

As a general rule, the functional currency used by foreign companies is their local currency. In cases where the majority of transactions are conducted in a currency other than the local currency, that currency is used.

The financial statements of the group's foreign companies are drawn up in their functional currency, and then translated into the group's presentation currency as follows:

- Balance sheet items other than equity, which are held at the historic exchange rate, are translated at closing exchange rates;
- Income statement items are translated at the average rate for the period, said rate being used as an approximation applied to underlying transactions, except in the event of significant fluctuations;
- Translation adjustments are included as a separate component of consolidated equity and do not affect income.

Goodwill and measurement differences realized when combining with a foreign company are treated as assets and liabilities of the acquired entity.

When a foreign company is disposed of, the translation differences in its assets and liabilities, previously recognized in equity, are recognized in the income statement.

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

M - TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions made by an entity in a currency other than its functional currency are translated and booked in the functional currency at the rate in effect on the date such transactions are made.

On the statement closing date, cash assets and liabilities in currencies other than the entity's functional currency are translated at the exchange rate in effect on that date. Gains or losses from such foreign currency translation are recorded in the income statement.

N - FINANCIAL LIABILITIES

The RCI Banque group recognizes financial liabilities consisting of bonds and similar obligations, negotiable debt securities, securities issued as part of securitization transactions, amounts owed to credit institutions and savings deposits from customers.

Any issuance costs and premiums on financial liabilities are amortized on an actuarial basis over the term of the issue according to the effective interest rate method.

When first recognized, financial liabilities are measured at fair value net of transaction costs directly attributable to their issuance.

At each closing, financial liabilities are measured at amortized cost using the effective interest rate method, except when specific hedge accounting procedures are applicable. The financial expenses calculated in this way include issuance costs and issue or redemption premiums.

Financial liabilities covered by a fair value hedge are accounted for as described in: Derivatives and hedge accounting.

The group's medium-term and long-term issuance programs do not feature any clauses that might lead to acceleration of maturity of the debt.

O - STRUCTURED PRODUCTS AND EMBEDDED DERIVATIVES

The group engages in a small number of structured transactions. These issues are hedged by derivatives so as to neutralize the embedded derivative and thereby obtain a synthetic adjustable-rate liability.

The only embedded derivatives identified within the RCI Banque group correspond to indexing clauses contained in structured bond issues. When embedded derivatives are not closely related to the host contract, they are measured and recognized separately at fair value. Changes in fair value are then recognized in the income statement. The structured issue with the embedded derivative extracted, i.e. the host contract, is measured and recognized at amortized cost.

Structured issues are associated with swaps of assets, whose characteristics are strictly identical to those of the embedded derivative, thereby providing an effective economic hedge. However, embedded derivatives that are separated from the host contract and swaps associated with structured issues are accounted for as if held for trading purposes.

P - DERIVATIVES AND HEDGE ACCOUNTING

Risks

The RCI Banque group's management of financial risks (interest-rate risk, currency risk, counterparty risk and liquidity risk) is described in the "Financial risks" appendix of this document.

The RCI Banque group enters derivative contracts as part of its currency and interest-rate risk management policy. Whether or not these financial instruments are then accounted for as hedging instruments depends on their eligibility for hedge accounting.

The financial instruments used by RCI Banque can be classified as fair value hedges or cash flow hedges. A fair value hedge protects against changes in the fair value of the assets and liabilities hedged. A cash flow hedge protects against changes in the value of cash flows associated with existing or future assets or liabilities.

Measurement

Derivatives are measured at fair value when first recognized. Subsequently, fair value is re-estimated at each closing date.

In accordance with IFRS 13 "Fair Value Measurement", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At initial recognition in the accounts, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (exit price).

- The fair value of forward currency agreements and currency swaps is determined by discounting cash flows at market interest rates and exchange rates at the closing date. It also incorporates the measurement of interest rate and currency swap "base" effects.
- The fair value of interest-rate derivatives represents what the group would receive (or would pay) to unwind the running contracts at the closing date, taking into account unrealized gains or losses as determined by current interest rates at the closing date.

Credit adjustment

An adjustment is booked on the valuation of OTC derivative portfolios, excluding those cleared by a CCP, for counterparty credit risk (or CVA, Credit Valuation Adjustment) and own credit risk (or DVA, Debt Valuation Adjustment).

Exposure (EAD - Exposure At Default) is approximated by the mark-to-market (MTM) plus or minus an add-on, representing potential future risk and taking into account netting agreements with each counterparty. This potential future risk is estimated using the standard method recommended by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 274 on capital adequacy requirements applicable to credit institutions and investment companies).

Loss Given Default (LGD) is estimated by default at 60%.

Probability of default (PD) is the probability of default associated with each counterparty's CDS (Credit Default Swaps). In certain countries, if this information is unavailable, the approximated probability of default is that of the counterparty's country.

Fair value hedge

RCI Banque has elected to apply fair value hedge accounting in the following cases:

- hedging interest-rate risk on fixed rate liabilities using a receive fixed/pay variable swap or cross currency swap;
- hedging foreign exchange risk on foreign currency assets or liabilities using a cross currency swap.

Fair value hedge accounting is applied on the basis of documentation of the hedging relation at the date of implementation and of the results of fair value hedge effectiveness tests, which are performed at each balance sheet date.

Changes in the value of fair value hedging derivatives are recognized in the income statement.

For financial liabilities covered by a fair value hedge, only the hedged component is measured and recognized at fair value. Changes in the value of the hedged component are recognized in the income statement. The unhedged component of these financial liabilities is measured and recognized at amortized cost.

If the hedging relationship is terminated before the end of its term, the hedging derivative is classified as an asset or liability held for trading purposes and the item hedged is recognized at amortized cost in an amount equal to its last fair value measurement.

Cash flow hedge

RCI Banque has elected to apply cash flow hedge accounting in the following cases:

- Hedging interest-rate risk on variable rate liabilities using a receive/pay fixed swap, enabling them to be backed by fixed rate assets (macro-hedge from the economic perspective);
- Hedging future or probable cash flows in foreign currency.

Cash flow hedge effectiveness tests are performed at each balance sheet date to ensure that the relevant transactions are eligible for hedge accounting. For the second type of hedging, the test performed entails ascertaining that interest-rate exposure on the cash flows from reinvestment of non-derivative financial assets is indeed reduced by the cash flows from the derivatives used for hedging.

Changes in the value of the effective part of cash flow hedging derivatives are recognized in equity, in a special revaluation reserve account.

Trading transactions

This line item includes transactions not eligible for hedge accounting and currency hedging transactions to which the RCI Banque group has preferred not to apply hedge accounting.

Changes in the value of these derivatives are recognized in the income statement.

These transactions mainly include:

- foreign exchange transactions with an initial maturity of less than one year,
- identified embedded derivatives that are part of the group's structured issues, and the associated swaps,
- swaps contracted in connection with securitization transactions,
- variable/pay variable swaps in a given currency to hedge interest-rate risk on variable-rate issues.

Q - OPERATING SEGMENTS (IFRS 8)

Segment reporting is presented in the annual financial statements in accordance with IFRS 8 “Operating Segments”.

RCI Banque is tasked with offering a comprehensive range of financing products and services to its two core markets: end Customers (Retail and Corporate) and the Renault, Nissan, Dacia, Samsung and Datsun brands Dealer network. These two segments have different expectations, needs and demands, and so each require a specific approach in terms of marketing, management processes, IT resources, sales methods and communication. Adjustments have been made to the group’s organization to make it consistent with these two types of customer, to strengthen its management and support role and to increase its integration with Renault and Nissan, especially with respect to sales and marketing aspects.

In accordance with IFRS 8, segmentation by market has therefore been adopted as the operating segmentation method. This is in line with the strategic focus developed by the company. The information presented is based on internal reports sent to the group Executive Committee, identified as the “chief operating decision maker” under IFRS 8.

A breakdown by market is thus provided for the main income statement as well as for average performing loan outstandings in the corresponding periods.

Since 1st January 2009, as decided by the Executive Committee, the formerly separate Retail and Corporate segments have been consolidated into the single “Customer” segment. The breakdown of operating segments as required by IFRS 8 has followed the same segmentation.

The Dealer segment covers financing granted to the Renault-Nissan Alliance Dealer network. The Customer segment covers all financing and related services for all customers other than Dealers. Results are presented separately for each of these two market segments. Refinancing and holding activities are grouped together under “Other activities”.

Renault, Nissan, Dacia, Samsung and Datsun sales financing activities have been combined.

Business	Retail customers	Dealer network
Lending	✓	✓
Finance Lease	✓	NA
Operating Lease	✓	NA
Services	✓	NA

R - INSURANCE

The accounting policies and measurement rules specific to assets and liabilities generated by insurance contracts issued by consolidated insurance companies are established in accordance with IFRS 4.

Other assets held and liabilities issued by insurance companies follow the rules common to all of the group’s assets and liabilities, and are presented in the same balance sheet and consolidated income statement items.

Technical liabilities on insurance contracts:

- Reserve for unearned premiums (non-life insurance): Technical reserves for unearned premiums are equivalent to the portion of the premiums relating to the period between the inventory date and the following endowment date. They are calculated by policy on a pro rata daily basis.
- Policy reserves (life insurance): These are intended to cover the long-term obligations (or payment of benefits) resulting from the commitments given, and the costs of managing such contracts. They are calculated by policy on a pro rata daily basis.
- Reserve for outstanding claims: the reserve for outstanding claims represents the estimate, net of outstanding recoveries, of the cost of all claims reported but not yet settled at the closing date. Outstanding claim reserves are calculated by claim file based on reserving rules set according to the insurance benefit definition.
- IBNR (Incurred But Not Reported) claim reserves: these are reserves for claims not yet reported. They are calculated according to an actuarial method (method type: “chain ladder”), where the ultimate claim charge is estimated from a statistical analysis of the payments development on past claim history. These estimates are performed in “Best Estimate”, adding a calibrated prudential margin so that IBNR reserves are still sufficient even in case of a possible future adverse deviation in claim (not extreme shocks).

The guarantees offered cover death, disability, redundancy and unemployment as part of a loan protection insurance policy. These types of risk are controlled through the use of appropriate mortality tables, statistical checks on loss ratios for the population groups insured and through a reinsurance program.

Liability adequacy test: a goodness-of-fit test aimed at ensuring that insurance liabilities are adequate with respect to current estimates of future cash flows generated by the insurance contracts is performed at each statement of account. Future cash flows resulting from the contracts take into account the guarantees and options inherent therein. In the event of inadequacy, the potential losses are fully recognized in net income.

Income statement:

The income and expenses recognized for the insurance contracts issued by the RCI Banque group appear in the income statement in "Net income of other activities" and "Net expense of other activities".

4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

In a mixed economic environment, RCI Banque continues to implement a prudent financial policy and reinforces its liquidity management and control system.

Liquidity

RCI Banque pays great attention to diversifying its sources of access to liquidity. Since the start of the financial crisis, the company has largely diversified its sources of funding. In addition to its traditional bond investor base in euros, new investment areas have also been successfully worked.

By extending the maximum maturities of its issues in Euros to eight years, new investors looking for longer-term assets have been reached. In addition, the group refinances itself on capital markets in multiple currencies (GBP, CHF, BRL, ARS, KRW, MAD, COP, etc.), both to finance European assets and to support development outside Europe.

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

The retail savings business, launched in February 2012 and now rolled out in four countries, has added to diversification of the company's sources of funding and helped it to adjust to the liquidity requirements arising from Basel 3 standards.

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

- ***Risk appetite:*** This component is determined by the Board of Directors' Risk Committee.
- ***Refinancing:*** The funding plan is constructed with a view to diversifying access to liquidity by product, by currency and by maturity. Funding requirements are regularly reviewed and clarified so that the funding plan can be adjusted accordingly.
- ***Liquidity reserve:*** The company's aim is to have available at all times a liquidity reserve consistent with its appetite for liquidity risk. The liquidity reserve consists of confirmed lines of credit, assets eligible as collateral in European Central Bank monetary policy transactions, High Quality Liquid Assets (HQLA), and financial assets. It is reviewed every month by the Finance Committee.
- ***Transfer prices:*** Refinancing for the group's European entities is mainly delivered by the group Finance and Treasury Division, which centralizes liquidity management and pools costs. Internal liquidity costs are reviewed at regular intervals by the Finance Committee and are used by sales subsidiaries to construct their pricing.
- ***Stress scenarios:*** Every month, the Finance Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.
- ***Emergency plan:*** An established emergency plan identifies the steps to be taken in the event of stress on the liquidity position.

Credit business risk

By using the Probability of Default derived from scoring systems to manage new gross lending, portfolio quality across all major markets was maintained.

As the economic outlook remained uncertain, the centralized oversight of the approval policy introduced at the start of the crisis was maintained. Acceptance systems are adjusted according to stress tests updated quarterly for the main countries per market (retail customers, corporate customers). All in all, the quality of gross lending is in line with the objectives set.

In a constantly changing environment, RCI Banque's aim is to maintain overall credit risk at a level compatible with the expectations of the financial community and profitability targets.

Profitability

RCI Banque regularly reviews the costs of internal liquidity used to price customer transactions, thereby maintaining a margin on new lending in line with budget targets. Similarly, the pricing of financing granted to dealers is indexed on an internal base rate reflecting the cost of borrowed resources and liquidity cushions needed for business continuity. This method maintains a steady return for this business.

Governance

Liquidity indicators are the subject of particular scrutiny at each monthly financial committee meeting.

The country management committees also monitor risk and instant projected margin indicators more systematically, thereby supplementing the routine assessments of subsidiary profitability.

Exposure to non-commercial credit risk

Exposure to bank counterparty risk mainly arises from the investment of temporary cash surpluses as short-term deposits, and from interest-rate or Forex hedging with derivatives.

Such transactions are made with first-class banks approved beforehand by the Counterparty Committee. RCI Banque pays close attention to diversifying its counterparties.

To meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque now invests in liquid assets as defined in the European Commission's Delegated Act. These liquid assets mainly consist of deposits with the European Central Bank and securities issued by governments or supranational issuers held directly. The average duration of this securities portfolio was about 18 months.

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

Macroeconomic environment

In 2018, the European Central Bank kept its base rates unchanged and announced that they were set to remain stable until at least summer 2019. In parallel, the ECB has progressively reduced its asset purchase program which fell from 30 billion a month in the first part of the year to 15 billion from October and ended in December. From 2019, it will reinvest amounts repaid in securities arriving at term in order to maintain favorable liquidity conditions.

In the United States, the new head of the Federal Reserve, Jerome Powell, has raised its base rates four times thus raising the Fed Funds target to between 2.25% and 2.5%. In the United Kingdom, the Bank of England which in November 2017 began its first tightening of monetary policy in ten years, raised its base rate in July to 0.75%.

An anticipated world economic slow-down and the end of Central Banks' relaxed monetary policies have progressively changed the macro-economic situation that prevailed at the beginning of the year. The tariff war between the United States and China, the United Kingdom's exit from the European Union and budgetary negotiations between Italy and Brussels have also contributed to heightening volatility. Against that background, markets saw the return to risk aversion in the second half, which resulted in a fall in share markets[1] and an increase in credit spreads[2].

After a peak of 0.50% in February, the 5 year swap rate ended 12 bp down at 0.20%.

(1) Euro Stoxx 50 down 15%
(2) Iboxx EUR Non Financial up 56 bp, Iboxx Auto up 95 bp

5. REFINANCING

RCI Banque issued the equivalent of €2.9 billion in public bond format. The group successively launched a variable rate issue of €750M over five years, a double tranche issue for €1.3 billion (three year fixed rate €750M, seven year variable rate €550M), then an eight year fixed rate issue for €750M. In parallel, the company issued 125MCHF at fixed rate over five years, which both enables the investor base to be diversified and assets in CHF to be funded.

In parallel, three issues in two and three year private format were also completed for a total amount of €600M.

In the secured refinance segment, RCI Banque placed a public securitization backed by automobile loans in France for €722.8M split between €700M of senior debt securities and €22.8M€ of subordinate securities.

The variation in maturity, coupon types and issue formats, which is in line with the strategy of diversifying sources of finance pursued by the group for a number of years, enables a larger number of investors to be tapped.

Additionally, group entities in Brazil, South Korea, Morocco, Argentina and, for the first time, in Colombia have also borrowed on their domestic capital markets.

Deposits from private customers have increased by €0.9 billion since December 2017 and attained €15.9 billion at 31 December 2018, representing 33.8% of net assets at end December, which is in line with the company's goal of having customer deposits representing about one third of the finance lent to its customers.

These resources, in addition, in the Europe perimeter, to €4.4 billion in bank lines confirmed but not drawn, €3.8 billion in collateral eligible for ECB monetary policy transactions, €2.2 billion in highly liquid assets (HQLA) as well as financial assets amounting to €0.4 billion, enabling RCI Banque to maintain funding lent to its customers over nearly 12 months without access to external liquidity.

6. REGULATORY REQUIREMENTS

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

At 31 December 2018, the ratios calculated do not reveal any non-compliance with regulatory requirements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SEGMENT INFORMATION

1.1. SEGMENTATION BY MARKET

In millions of euros	Customer	Dealer financing	Other	Total 12/2018
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 12/2017
Average performing loan outstandings	29,161	9,738		38,899
Net banking income	1,230	240	158	1,628
Gross operating income	843	190	73	1,106
Operating income	784	205	73	1,062
Pre-tax income	786	204	87	1,077

A breakdown by market is provided for the main income statement as well as for average performing loan outstanding in the corresponding periods.

At the Net Banking Income level, given that most of the RCI Banque group's segment income comes from interest, the latter are shown net of interest expenses.

The earnings of each business segment are determined on the basis of internal or fiscal analytical conventions for intercompany billing and valuation of funds allocated. The equity allocated to each business segment is the capital effectively made available to the affiliates and branches and then divided among them according to internal analytical rules.

Average performing loan outstanding is the operating indicator used to monitor outstandings. As this indicator is the arithmetic mean of outstandings, its value therefore differs from the outstandings featuring in the RCI Banque group's assets, as presented in Notes 6 and 7: Customer finance transactions and similar/Customer finance transactions by business segment.

Average Performing Assets (APA) is another indicator used to monitor outstandings. It is equal to average performing outstandings plus assets arising from operating lease operations.

For retail customers, it means the average of performing assets at end-period. For Dealers, it means the average of daily performing assets.

1.2. GEOGRAPHIC SEGMENTATION

In millions of euros	Year	Not Loans outstandings at year-end(1)	of which Customer outstandings at year-end(1)	of which Dealer outstandings at year-end(1)
Europe	2018	41,832	31,668	10,164
	2017	39,028	28,785	10,243
of which Germany	2018	7,472	6,097	1,375
	2017	6,808	5,333	1,475
of which Spain	2018	4,464	3,637	827
	2017	4,207	3,279	928
of which France	2018	14,324	10,664	3,660
	2017	13,315	9,606	3,709
of which Italy	2018	5,821	4,450	1,371
	2017	5,264	3,960	1,304
of which United Kingdom	2018	4,680	3,780	900
	2017	4,787	3,897	890
of which other countries(2)	2018	5,071	3,040	2,031
	2017	4,647	2,710	1,937
Asia-Pacific (South Korea)	2018	1,578	1,565	13
	2017	1,561	1,541	20
Americas	2018	2,769	2,182	587
	2017	2,637	2,049	588
of which Argentina	2018	314	185	129
	2017	499	344	155
of which Brazil	2018	2,112	1,699	413
	2017	1,880	1,498	382
of which Colombia	2018	343	298	45
	2017	258	207	51
Africa - Middle-East - India	2018	493	383	110
	2017	416	331	85
Eurasia	2018	258	245	13
	2017	191	179	12
Total RCI Banque group	2018	46,930	36,043	10,887
	2017	43,833	32,885	10,948

(1) Including operating lease business
(2) Belgium, Netherlands, Switzerland, Austria, Scandinavian countries, Poland, Czech Republic, Hungary, Slovenia, Ireland, Portugal

Income from external customers is allocated to the different countries according to the home country of each of the entities. Each entity actually only books income from customers residing in the same country as that entity.

NOTE 2: CASH AND BALANCES AT CENTRAL BANKS

In millions of euros	12/2018	12/2017
Cash and balances at central banks	**2,018**	**1,303**
Cash and balances at Central Banks	2,018	1,303
Term deposits at Central Banks	**22**	
Accrued interest	22	
Total cash and balances at central banks	**2,040**	**1,303**

NOTE 3: DERIVATIVES

In millions of euros	12/2018		12/2017	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**21**	**14**	**37**	**32**
Interest-rate derivatives	2	4	3	1
Currency derivatives	19	10	34	31
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**102**	**68**	**86**	**86**
Interest-rate and currency derivatives: Fair value hedges	89	6	80	28
Interest-rate derivatives: Cash flow hedges	13	62	6	58
Total derivatives(*)	**123**	**82**	**123**	**118**
(*) Of which related parties	*2*		*7*	

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

The transactions that give rise to entries under this heading are described in the accounting rules and methods in the following paragraphs: “Financial liabilities” and “Derivatives and hedge accounting”.

Changes in the cash flow hedging instrument revaluation reserve

In millions of euros	Cash flow hedging	Schedule for the transfer of the CFH reserve account to the income statement		
		<1 year	1 to 5 years	+5 years
Balance at 31 December 2016	**(10)**	**(6)**	**(4)**	
Changes in fair value recognized in equity	4			
Transfer to income statement	(3)			
Balance at 31 December 2017	**(9)**	**(4)**	**(5)**	
Changes in fair value recognized in equity	(6)			
Transfer to income statement	5			
Balance at 31 December 2018	**(10)**	**(3)**	**(7)**	

With respect to cash flow hedging, the above table shows the periods during which RCI Banque expects cash flows to intervene and affect the income statement.

Changes in the cash flow hedging reserve result from changes in the fair value of the hedging instruments carried in equity, and from the transfer of the period to the income statement at the same rate as the item hedged.

Nominal values of derivative instruments by maturity and management intent

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

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2017	Related parties
Hedging of currency risk					
• *Forward forex contracts*					
Sales	1,889			1,889	
Purchases	1,886			1,886	
• *Currency swaps*					
Loans	691	331		1,022	*82*
Borrowings	664	319		983	*80*
Hedging of interest-rate risk					
• *Interest rate swaps*					
Lender	6,211	9,373	2,350	17,934	
Borrower	6,211	9,373	2,350	17,934	

NOTE 4: FINANCIAL ASSETS

In millions of euros	12/2018	12/2017
Financial assets at fair value through other comprehensive income	**902**	
Government debt securities and similar	617	
Bonds and other fixed income securities	284	
Interests in companies controlled but not consolidated	1	
Financial assets at fair value through profit or loss	**166**	
Variable income securities	16	
Bonds and other fixed income securities	98	
Interests in companies controlled but not consolidated	52	
Financial assets available for sale and other financial assets		**1,287**
Government debt securities and similar		741
Variable income securities		179
Bonds and other fixed income securities		340
Interests in companies controlled but not consolidated		27
Total financial assets(*)	**1,068**	**1,287**
(*) Of which related parties	*53*	*27*

NOTE 5: AMOUNTS RECEIVABLE AT AMORTISED COST FROM CREDIT INSTITUTIONS

In millions of euros	12/2018	12/2017
Credit balances in sight accounts at credit institutions	**916**	**906**
Ordinary accounts in debit	881	895
Overnight loans	35	11
Term deposits at credit institutions	**117**	**218**
Term loans in bucket 1	37	218
Term loans in bucket 2	80	
Total amounts receivable from credit institutions(*)	**1,033**	**1,124**
(*) Of which related parties	*80*	*150*

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

Current bank accounts held by the FCTs (Fonds Commun de Titrisation - Securitisation Mutual Funds) contribute in part to the funds’ credit enhancement. They totaled €551m at year-end 2018 and are included in “Ordinary Accounts in debit”.

Overnight loan transactions with the Central Bank are included in “Cash and balances at central banks”.

NOTE 6: CUSTOMER FINANCE TRANSACTIONS AND SIMILAR

In millions of euros	12/2018	12/2017
Loans and advances to customers	**46,587**	**43,430**
Customer finance transactions	34,858	32,993
Finance lease transactions	11,729	10,437
Operating lease transactions	**974**	**839**
Total customer finance transactions and similar	**47,561**	**44,269**

The gross value of forborne loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulty (or likely to experience financial difficulty in the future), came to €119m and is impaired by €52m at 31 December 2018.

6.1. CUSTOMER FINANCE TRANSACTIONS

In millions of euros	12/2018	12/2017
Loans and advances to customers	**35,047**	**33,226**
Healthy factoring	541	655
Factoring with a significant increase in credit risk since initial recognition	37	
Other healthy commercial receivables	2	3
Other healthy customer credit	31,269	30,129
Other customer credit with a significant increase in credit risk since initial recognition	2,273	
Other delinquent customer credit		1,654
Healthy ordinary accounts in debit	484	351
Defaulted receivables	441	434
Interest receivable on customer loans and advances	**83**	**53**
Other non-defaulted customer credit	42	41
Non-defaulted ordinary accounts	37	7
Defaulted receivables	4	5
Total of items included in amortized cost - Customer loans and advances	**323**	**228**
Staggered handling charges and sundry expenses - Received from customers	(52)	(39)
Staggered contributions to sales incentives by manufacturer or dealers	(549)	(526)
Staggered fees paid for referral of business	924	793
Impairment on loans and advances to customers	**(595)**	**(514)**
Impairment on healthy receivables	(125)	(118)
Impairment on receivables with a significant increase in credit risk since initial recognition	(113)	
Impairment on delinquent receivables		(74)
Impairment on defaulted receivables	(281)	(252)
Impairment on residual value	(76)	(70)
Total customer finance transactions, net	**34,858**	**32,993**

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and impaired allowances continue to appear on the asset side of the group's balance sheet.

The factoring receivables result from the acquisition by the group of the Renault-Nissan Alliance's commercial receivables. Impairment on residual value concerns credit (risk borne and not borne).

6.2. FINANCE LEASE TRANSACTIONS

	12/2018	12/2017
Finance lease transactions	**11,917**	**10,541**
Other healthy customer credit	10,292	9,776
Other customer credit with a significant increase in credit risk since initial recognition	1,455	
Other Delinquent customer credit		642
Defaulted receivables	170	123
Accrued interest on finance lease transactions	**10**	**7**
Other non-defaulted customer credit	9	6
Defaulted receivables	1	1
TOTAL OF ITEMS INCLUDED IN AMORTIZED COST - FINANCE LEASES	**(16)**	**(16)**
Staggered handling charges	(4)	(7)
Staggered contributions to sales incentives by manufacturer or dealers	(234)	(174)
Staggered fees paid for referral of business	222	165
Impairment on finance leases	**(182)**	**(95)**
Impairment on healthy receivables	(39)	(8)
Impairment on receivables with a significant increase in credit risk since initial recognition	(50)	
Impairment on delinquent receivables		(9)
Impairment on defaulted receivables	(92)	(77)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**11,729**	**10,437**

Reconciliation between gross investment in finance lease contracts at the closing date and present value of minimum payments receivable

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

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2017
Finance leases - net investment	4,470	6,052	10	10,532
Finance leases - future interest receivable	355	348		703
Finance leases - gross investment	**4,825**	**6,400**	**10**	**11,235**
Amount of residual value guaranteed to RCI Banque group	2,546	3,285		5,831
Of which amount guaranteed by related parties	*1,741*	*1,681*		*3,422*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	3,084	4,719	10	7,813

6.3. OPERATING LEASE TRANSACTIONS

In millions of euros	12/2018	12/2017
Fixed asset net value on operating lease transactions	**991**	**866**
Gross value of tangible assets	1,284	1,094
Depreciation of tangible assets	(293)	(228)
Receivables on operating lease transactions	**12**	**6**
Non-defaulted receivables	7	6
Defaulted receivables	7	3
Income and charges to be staggered	(2)	(3)
Impairment on operating leases	**(29)**	**(33)**
Impairment on non-defaulted receivables	(1)	
Impairment on defaulted receivables	(5)	
Impairment on residual value	(23)	(33)
Total operating lease transactions, net(*)	**974**	**839**
(*) Of which related parties	*(1)*	*(1)*

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

In millions of euros	12/2018	12/2017
0-1 year	146	71
1-5 years	201	119
+5 years	9	
Total	**356**	**190**

6.4. MAXIMUM EXPOSURE TO CREDIT RISK AND INDICATION CONCERNING THE QUALITY OF RECEIVABLES DEEMED NON IMPAIRED BY THE RCI BANQUE GROUP

At 31 December 2018, the RCI Banque group's maximum aggregate exposure to credit risk stood at €55,299m against €50,758m at 31 December 2017. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on the RCI Banque group's off-balance sheet (see Note 23 Commitments received).

Amount of receivables due

In millions of euros	12/2018	of which non-defaulted(1)	12/2017	of which non-defaulted(1)
Between 0 and 90 days	593	409	574	522
Between 90 and 180 days	59		51	
Between 180 days and 1 year	37		20	
More than one year	74		252	
Receivables due	**763**	**409**	**897**	**522**

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

The risks on the quality of customer loans are assessed (using a score system) and monitored per type of business (Customer and Dealer). At the statement closing date, no component affected the credit quality of non-due and non-impaired sales financing receivables.

There is no significant concentration of risks within the sales financing customer base in line with regulatory requirements.

As at 31 December 2018, guarantees held on doubtful or delinquent receivables totaled €678m against €660m at 31 December 2017.

6.5. RESIDUAL VALUES OF RISK CARRIED BY RCI BANQUE

The total risk on residual values carried by the RCI Banque group amounted to €1,944m at 31 December 2018 against €1,981m at 31 December 2017. It was covered by provisions totaling €61m for the residual value risk borne provision at 31 December 2018 (essentially affecting the United Kingdom).

NOTE 7: CUSTOMER FINANCE TRANSACTIONS BY BUSINESS SEGMENT

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

In millions of euros	Customer	Dealer financing	Other	Total 12/2017
Gross value	**33,349**	**11,126**	**436**	**44,911**
Non-impaired receivables	32,894	11,019	432	44,345
Doubtful receivables	165	90	3	258
Compromised receivables	290	17	1	308
% of doubtful and compromised receivables	1,36%	0,96%	0,92%	1,26%
Impairment allowance on individual basis	**(439)**	**(87)**		**(526)**
Non-doubtful receivables	(143)	(54)		(197)
Doubtful receivables	(88)	(18)		(106)
Compromised receivables	(208)	(15)		(223)
Impairment allowance on collective basis	**(25)**	**(91)**		**(116)**
Impairment	(18)	(91)		(109)
Country risk	(7)			(7)
Net value(*)	**32,885**	**10,948**	**436**	**44,269**
(*) Of which: related parties (excluding participation in incentives and fees paid for referrals).	*21*	*937*	*309*	*1,267*

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

NOTE 8: ADJUSTMENT ACCOUNTS & MISCELLANEOUS ASSETS

In millions of euros	12/2018	12/2017
Tax receivables	**379**	**379**
Current tax assets	26	36
Deferred tax assets	145	112
Tax receivables other than on current income tax	208	231
Adjustment accounts and other assets	**953**	**1,009**
Other sundry debtors	377	337
Adjustment accounts - Assets	55	49
Items received on collections	319	426
Reinsurer part in technical provisions	202	197
Total adjustment accounts – Assets and other assets(*)	**1,332**	**1,388**
(*) Of which related parties	*225*	*138*

Deferred tax assets are analysed in note 32.

Changes in the share of reinsurers in the technical reserves are analyzed as follows:

Changes in the part of reinsurance in the technical provisions

In millions of euros	12/2018	12/2017
Reinsurer part in technical provisions at the beginning of period	197	162
Increase of the technical provisions chargeable to reinsurers	16	45
Claims recovered from reinsurers	(11)	(10)
Reinsurer part in technical provisions at the end of period	**202**	**197**

NOTE 9: INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

In millions of euros	12/2018		12/2017	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	21	4	24	4
RN SF B.V.	63	9	48	9
Nissan Renault Financial Services India Private Limited	31	2	30	2
Total interests in associates	**115**	**15**	**102**	**15**

NOTE 10: TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

In millions of euros	12/2018	12/2017
Intangible assets: net	**7**	**6**
Gross value	36	36
Accumulated amortization and impairment	(29)	(30)
Property, plant and equipment: net	**32**	**23**
Gross value	113	101
Accumulated depreciation and impairment	(81)	(78)
Total tangible and intangible non-current assets	**39**	**29**

NOTE 11: GOODWILL

In millions of euros	12/2018	12/2017
Argentina	1	2
United Kingdom	35	35
Germany	12	12
Italy	9	9
South Korea	20	20
Czech Republic	6	6
Total goodwill from acquisitions by country	**83**	**84**

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note B). These tests revealed no impairment risk at 31 December 2018.

NOTE 12 : LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS & DEBT SECURITIES

12.1. CENTRAL BANKS

In millions of euros	12/2018	12/2017
Term borrowings	2,500	2,500
Total Central Banks	**2,500**	**2,500**

At 31 December 2018, the book value of the collateral presented to the Bank of France (3G) amounted to €7,454m, that means €6,184m in securities issued by securitization vehicles, €159m in eligible bond securities, and €1,111m in private accounts receivable.

12.2. AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

In millions of euros	12/2018	12/2017
Sight accounts payable to credit institutions	**142**	**234**
Ordinary accounts	21	29
Overnight borrowings		1
Other amounts owed	121	204
Term accounts payable to credit institutions	**2,289**	**2,210**
Term borrowings	2,217	2,165
Accrued interest	72	45
Total liabilities to credit institutions(*)	**2,431**	**2,444**
(*) Of which related parties		*1*

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

12.3. AMOUNTS PAYABLE TO CUSTOMERS

In millions of euros	12/2018	12/2017
Amounts payable to customers	**16,686**	**15,768**
Ordinary accounts in credit	134	109
Term accounts in credit	710	744
Ordinary saving accounts	12,103	11,456
Term deposits (retail)	3,739	3,459
Other amounts payable to customers and accrued interest	**95**	**76**
Other amounts payable to customers	67	28
Accrued interest on ordinary accounts in credit	7	28
Accrued interest on term accounts in credit		1
Accrued interest on ordinary saving accounts	17	14
Accrued interest on customers term accounts	4	5
Total amounts payable to customers(*)	**16,781**	**15,844**
(*) Of which related parties	*748*	*788*

Term accounts in credit include a €700m cash warrant agreement given to RCI Banque S.A. by the manufacturer Renault, covering, without any geographical exceptions, against the risks of the Renault Retail group defaulting.

RCI Banque launched its savings business in France in 2012, in Germany in February 2013 in Austria in April 2014 and in the United Kingdom in June 2015, marketing both savings accounts and term deposit accounts.

12.4. DEBT SECURITIES

In millions of euros	12/2018	12/2017
Negotiable debt securities(1)	**1,826**	**1,182**
Certificates of deposit	1,659	1,018
Commercial paper and similar	84	69
French MTNs and similar	65	70
Accrued interest on negotiable debt securities	18	25
Other debt securities(2)	**2,780**	**2,272**
Other debt securities	2,778	2,271
Accrued interest on other debt securities	2	1
Bonds and similar	**18,903**	**17,885**
Bonds	18,804	17,771
Accrued interest on bonds	99	114
Total debt securities(*)	**23,509**	**21,339**
(*) Of which related parties	*95*	*97*

(1) Certificates of deposit, commercial paper and French MTNs are issued by RCI Banque S.A., Banco RCI Brasil S.A., RCI Colombia S.A. Compania De Financiamiento and DIAC S.A.
(2) Other debt securities consist primarily of the securities issued by the vehicles created for the German (RCI Banque S.A. Niederlassung Deutschland), UK (RCI Financial Services Ltd), Brazilian (Banco RCI Brasil S.A.), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization offerings.

12.5. BREAKDOWN OF LIABILITIES BY VALUATION METHOD

In millions of euros	12/2018	12/2017
Liabilities valued at amortized cost - Excluding fair value hedge	**37,864**	**34,741**
Central Banks	2,500	2,500
Amounts payable to credit institutions	2,431	2,444
Amounts payable to customers	16,781	15,844
Debt securities	16,152	13,953
Liabilities valued at amortized cost - Fair value hedge	**7,357**	**7,386**
Debt securities	7,357	7,386
Total financial debts	**45,221**	**42,127**

12.6. BREAKDOWN OF FINANCIAL LIABILITIES BY RATE TYPE BEFORE DERIVATIVES

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

In millions of euros	Variable	Fixed	12/2017
Central Banks		2,500	2,500
Amounts payable to credit institutions	941	1,503	2,444
Amounts payable to customers	12,235	3,609	15,844
Negotiable debt securities	340	842	1,182
Other debt securities	2,272		2,272
Bonds	5,915	11,970	17,885
Total financial liabilities by rate	**21,703**	**20,424**	**42,127**

12.7. BREAKDOWN OF FINANCIAL LIABILITIES BY REMAINING TERM TO MATURITY

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

NOTE 13: SECURITIZATION

SECURITIZATION – PUBLIC ISSUES

Country	France	France	France	Italy	Germany	Germany	Germany	Brazil
Originator	DIAC S.A.	DIAC S.A.	DIAC S.A.	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	Banco RCI Brazil S.A.
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers
Issuer	CARS Alliance Auto Loans France FCT Master	CARS Alliance Auto Loans France V 2018-1	FCT Cars Alliance DFP France	Cars Alliance Auto Loans Italy 2015 s.r.l.	CARS Alliance Auto Loans Germany Master	CARS Alliance Auto Loans Germany V2016-1	Cars Alliance DFP Germany 2017	Fundo de Investimento em Direitos Creditórios RCI Brasil I
Closing date	May 2012	April 2018	July 2013	July 2015	March 2014	May 2016	July 2017	May 2015
Legal maturity date	August 2030	October 2029	July 2028	December 2031	March 2031	May 2027	June 2026	April 2021
Initial purchase of receivables	715 M€	799M€	1,020 M€	1,234 M€	674 M€	822 M€	852 M€	n.a.
Credit enhancement as at the closing date	Cash reserve for 1% Over-collateralization of receivables 15.1%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve For 1% Over-collateralization of receivables 12.5%	Cash reserve for 1% Over-ollateralization of receivables 14.9%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1,5% Over-collateralization of receivables 20.75%	Cash reserve for 1% Over-collateralization of receivables 11%
Receivables purchased as of 31 December 2018	554 M€	732 M€	1,199 M€	1,547 M€	2,933 M€	396 M€	814 M€	15 M€
Notes in issue as at 31 December 2018 (including any units held by the RCI Banque group)	Class A Rating: AAA 511 M€ Class B Non rated 90 M€	Class A Rating: AAA 700 M€ Class B Rating: AA 23 M€ Class C Non rated 38 M€	Class A Rating: AA 1,000 M€	Class A Rating: AAA 1,357 M€ Class J Non rated 238 M€	Class A Rating: AAA 2,544 M€ Class B Non rated 219 M€	Class A Rating:AAA 237 M€ Class B Rating: AA 23 M€ Class C Non rated 38 M€	Class A Rating: AAA 675 M€	Class A Rating: AAA 14 M€ Class B Non rated 3 M€
Period	Revolving	Revolving	Revolving	Revolving	Revolving	Amortizing	Revolving	Amortizing
Transaction's nature	Retained	Market	Retained	Retained	Retained	Market	Retained	Market

In 2018, the RCI Banque group carried 2 securitizations transactions in public format in France and one in Italy by means of special purpose vehicles.

In addition, and as part of its efforts to diversify its refinancing, operations were secured by banks or conduits. As these issues are private, their terms and conditions are not disclosed in the above table.At 31 December 2018, the amount of financing obtained through securitization by conduit totaled €1,784m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €997m.

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2018, the amount of the sales financing receivables thus maintained on the balance sheet totaled €11,010m (€10,391 m at 31 December 2017), as follows:

- Securitization transactions placed on the market: €1,143m
- Retained securitization transactions: €7,046m
- Private securitization transactions: €2,821m

The fair value of these receivables is €10,980m at 31 December 2018.

Liabilities of €2,781m have been booked under "Other debt securities" for the securities issued during securitization transactions. The fair value of these liabilities is €2,645m at 31 December 2018.

The difference between the amount of receivables transferred and the amount of the aforementioned liabilities corresponds to the credit enhancement needed for these transactions and to the share of securities retained by the RCI Banque group serving as a liquidity reserve.

NOTE 14: ADJUSTMENT ACCOUNTS & MISCELLANEOUS LIABILITIES

In millions of euros	12/2018	12/2017
Taxes payable	**620**	**558**
Current tax liabilities	124	108
Deferred tax liabilities	472	422
Taxes payable other than on current income tax	24	28
Adjustment accounts and other amounts payable	**1,543**	**1,632**
Social security and employee-related liabilities	53	51
Other sundry creditors	679	659
Adjustment accounts - liabilities	461	377
Accrued interest on other sundry creditors	342	542
Collection accounts	8	3
Total adjustment accounts - Liabilities and other liabilities(*)	**2,163**	**2,190**
(*) Of which related parties	*78*	*286*

Deferred tax assets are analyzed in note 32.

Other sundry creditors and accruals on sundry creditors mainly concern accrued invoices, provisions for commissions payable for referral of business, insurance commissions payable by the Maltese entities and the valuation of put options on minority interests.

NOTE 15: PROVISIONS

In millions of euros	12/2017	Charge	Reversals		Others(*)	12/2018
			Used	Not Used		
Provisions on banking operations	**442**	**305**	**(30)**	**(224)**	**3**	**496**
Provisions for signature commitments		6	(1)	(6)	6	5
Provisions for litigation risks	11	7	(2)	(4)	(2)	10
Insurance technical provisions	418	276	(27)	(207)		460
Other provisions	13	16		(7)	(1)	21
Provisions on non-banking operations	**100**	**24**	**(6)**		**(6)**	**112**
Provisions for pensions liabilities and related	51	5	(5)		(2)	49
Provisions for restructuring		11				11
Provisions for tax and litigation risks	45	7	(1)		(3)	48
Other	4	1			(1)	4
Total provisions	**542**	**329**	**(36)**	**(224)**	**(3)**	**608**

(*) 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 €460m at end-December 2018.

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

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €347k at end-December 2018 for unfair administration/processing fees and €5.342K relating to provisions for risks concerning the customer's right to rescind the contract (Joker credit). The remaining provisions relate to administration/processing fees billed to business customers.

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

At the end of December 2018, no provisions had thus been made for the above.

Insurance risk

The main risk to which the group is exposed in respect of insurance and re-insurance policies taken out is the risk that the actual total amount of claims and settlements and/or the rate of payment thereof may differ from estimates. The frequency of claims, their seriousness, the valuation of settlements paid out and the type of claims, some of whose development may be long term, all have an impact on the main risk to which the group is exposed. The group makes sure that its available reserves are sufficient to cover its commitments.

Exposure to risk is limited by diversifying the portfolio of insurance and re-insurance policies, and the geographical areas in which they are taken out. Fluctuations in the level of risk are also kept to a minimum through stringent policy selection, compliance with subscription guides and the use of re-insurance agreements.

The group makes use of re-insurance in order to limit risk. Policies are transferred under re-insurance agreements on a proportionate basis. Proportionate reinsurance treaties are signed in order to reduce the group's overall exposures for all businesses and in all countries. The amounts that may be recovered from re-insurers are determined in accordance with the claim reserves and with the reinsurance treaties. Re-insurance does not release the transferor from its commitments to policy holders and if for any reason the re-insurer is unable to meet its obligations, the group is exposed to a credit risk on the policies transferred. Re- insurance treaties are signed with A-rated counterparties and the group actively monitors each re-insurer's rating. The group has assessed the risks covered by reinsurance contracts and believes that no retrocession is required.

Key assumptions

The main assumption underlying estimates of liabilities is that the trend in future claims will follow exactly the same trend as in past claims.

The group has therefore factored in an ultimate loss rate in estimating the total cost of claims and of claim reserves (IBNR). Bearing in mind the reinsurance treaties that have been signed, any deterioration or improvement in this loss rate would have no significant impact on the year's results.

Provisions for pension and other post-employment benefits

In millions of euros	12/2018	12/2017
France	34	32
Rest of world	15	19
Total provisions	**49**	**51**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2018	12/2017
Retirement age	67 years	67 years
Salary increases	1.80%	1.52%
Financial discount rate	1.95%	1.90%
Starting rate	5.19%	6.25%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Average duration	25 years	25 years	20 years	18 years	22 years	12 years
Rate of wage indexation	3,10%	3.10%	1.15%	1.00%	1.40%	1.25%
Financial discount rate	2,85%	2.50%	0.90%	0.75%	1.80%	2.00%
Actual return rate of hedge assets	-5,30%	8.80%	1.00%	1.22%	1.80%	2.00%

Changes in provisions during the year

In millions of euros	Actuarial value of obligations (A)	Actuarial value of invested funds (B)	Obligations less invested funds (C)	Net liabilities of the defined-benefit pension plans (A)-(B)-(C)
Opening balance of the current period	**93**	**43**		**50**
Current service cost	4			4
Net interest on the net liability (asset)	2	1		1
Expense (income) recorded in the income statement	**6**	**1**		**5**
Actuarial gains and losses on the obligation resulting from changes in demographic assumptions	(1)			(1)
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	(1)			(1)
Net return on fund asset (not included in net interest above)		(2)		2
Expense (income) recorded in Other components of comprehensive income	**(2)**	**(2)**		
Employer's contributions to funds		1		(1)
Benefits paid	(4)	(1)		(3)
Effect of changes in exchange rates	(2)			(2)
Balance at the closing date of the period	**91**	**42**		**49**

Nature of invested funds

In millions of euros	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
	12/2018		12/2017	
Shares	13		11	
Bonds	25		27	
Others	4		5	
Total	**42**		**43**	

NOTE 16: IMPAIRMENTS ALLOWANCES TO COVER COUNTERPARTY RISK

In millions of euros	12/2017	Charge	Reversals		Others(*)	12/2018
			Used	Not Used		
Impairments on banking operations	**647**	**508**	**(372)**	**(82)**	**105**	**806**
Credit institutions transactions		1			(1)	
Customer finance transactions	642	507	(372)	(82)	111	806
Securities transactions	5				(5)	
Impairment on non-banking operations	**2**	**8**	**(2)**	**(6)**	**6**	**8**
Provisions for signature commitments		6	(1)	(6)	6	5
Other impairment to cover counterparty risk	2	2	(1)			3
Impairment on banking operations	**11**	**7**	**(2)**	**(4)**	**(2)**	**10**
Provisions for litigation risks	11	7	(2)	(4)	(2)	10
Total provisions to cover counterparty risk	**660**	**523**	**(376)**	**(92)**	**109**	**824**

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

A breakdown by market segment of allowances for impairment of assets in connection with customer finance operations is provided in note 7.

NOTE 17: SUBORDINATED DEBT - LIABILITIES

In millions of euros	12/2018	12/2017
Participating loan stocks	13	13
Total subordinated liabilities	**13**	**13**

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

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

NOTE 18: FINANCIAL ASSETS AND LIABILITIES BY REMAINING TERM TO MATURITY

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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2017
Financial assets	**12,101**	**14,614**	**19,971**	**581**	**47,267**
Cash and balances at central banks	1,303				1,303
Derivatives	13	38	72		123
Financial assets	385	190	506	206	1,287
Amounts receivable from credit institutions	974	70	80		1,124
Loans and advances to customers	9,426	14,316	19,313	375	43,430
Financial liabilities	**14,665**	**5,616**	**18,180**	**3,797**	**42,258**
Central Banks			2,500		2,500
Derivatives	25	28	46	19	118
Amounts payable to credit institutions	690	726	1,028		2,444
Amounts payable to customers	12,459	1,354	1,331	700	15,844
Debt securities	1,491	3,508	13,275	3,065	21,339
Subordinated debt				13	13

Central Bank borrowings correspond to the longer term refinancing operations (TLTRO) introduced at the end of 2014 and gradually being used by RCI Banque.

NOTE 19: BREAKDOWN OF FUTURE CONTRACTUAL CASH FLOWS BY MATURITY

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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2017
Financial liabilities	**14,701**	**5,749**	**18,845**	**3,882**	**43,177**
Central Banks			2,500		2,500
Derivatives	5	12	63	29	109
Amounts payable to credit institutions	679	693	1,028		2,400
Amounts payable to customers	12,415	1,351	1,331	700	15,797
Debt securities	1,458	3,432	13,273	3,065	21,228
Subordinated debt				10	10
Future interest payable	144	261	650	78	1,133
Financing and guarantee commitments	**2,250**	**46**		**7**	**2,303**
Total breakdown of future contractual cash flows by maturity	**16,951**	**5,795**	**18,845**	**3,889**	**45,480**

The sum of the future contractual cash flows is not equal to the values in the balance sheet. This is because future contractual interest and non-discounted coupon payments on swaps are taken into account.

For liability derivatives, the contractual cash flows correspond to the amounts payable.

For the other non-derivative financial liabilities, the contractual cash flows correspond to the repayment of the value and the payment of interest.

Interest for variable rate financial instruments has been estimated on the basis of the interest rate in effect at 31 December 2018.

NOTE 20: FAIR VALUE OF ASSETS AND LIABILITIES (IN ACCORDANCE WITH IFRS 7 & IFRS 13) AND BREAKDOWN OF ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY

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

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

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

In millions of euros 31/12/2017	Book Value	Fair Value				Gap(*)
		Level 1	Level 2	Level 3	FV(*)	
Financial assets	**47,267**	**1,260**	**2,550**	**43,317**	**47,127**	**(140)**
Cash and balances at central banks	1,303		1,303		1,303	
Derivatives	123		123		123	
Financial assets	1,287	1,260		27	1,287	
Amounts receivable from credit institutions	1,124		1,124		1,124	
Loans and advances to customers	43,430			43,290	43,290	(140)
Financial liabilities	**42,258**	**13**	**42,494**		**42,507**	**(249)**
Central Banks	2,500		2,500		2,500	
Derivatives	118		118		118	
Amounts payable to credit institutions	2,444		2,445		2,445	(1)
Amounts payable to customers	15,844		15,844		15,844	
Debt securities	21,339		21,587		21,587	(248)
Subordinated debt	13	13			13	

(*) 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 2017 and at 31 December 2018 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 2017 and at 31 December 2018.

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 2017 and 31 December 2018 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

NOTE 21: NETTING AGREEMENTS AND OTHER SIMILAR COMMITMENTS

Master Agreement relating to transactions on forward financial instruments and similar agreements

The RCI Banque group negotiates its forward derivative agreements under International Swaps and Derivatives Association (ISDA) and FBF (Fédération Bancaire Française) Master Agreements.

The occurrence of an event of default entitles the non-defaulting party to suspend performance of its payment obligations and to payment or receipt of a settlement amount for all terminated transactions.

ISDA and FBF Master Agreements do not meet the criteria for offsetting in the financial statements. The RCI Banque group currently only has a legally enforceable right to offset booked amounts in the event of default or a credit event.

Synthesis of financial assets and liabilities agreements

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

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

In millions of euros 31/12/2017	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	**1,342**		**1,342**	**41**	**864**		**437**
Derivatives	123		123	41			82
Network financing receivables(1)	1,219		1,219		864		355
Liabilities	**118**		**118**	**41**			**77**
Derivatives	118		118	41			77

(1) The gross book value of dealer financing receivables breaks down into €826M for the Renault Retail Group, whos exposures are hedged for up to €695M by a cash warrent agreement given by the Renault manufacturer (see note 12.3) and €393M for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €169M by pledge of letras de cambio (bills of exchange) subscribed by the dealers.

NOTE 22: COMMITMENTS GIVEN

In millions of euros	Total 12/2018	12/2017
Financing commitments	**2,362**	**2,314**
Commitments to customers	2,362	2,314
Guarantee commitments	**75**	**81**
Commitments to credit institutions	71	74
Customer guarantees	4	7
Commitments on securities	**5**	
Other securities receivable	5	
Other commitments given	**73**	**28**
Commitments given for equipment leases and real estate leases	73	28
Total commitments given(*)	**2,515**	**2,423**
(*) Of which related parties	*4*	*12*

NOTE 23: COMMITMENTS RECEIVED

In millions of euros	Total 12/2018	12/2017
Financing commitments	**4,820**	**4,939**
Commitments from credit institutions	4,820	4,939
Guarantee commitments	**14,138**	**12,609**
Guarantees received from credit institutions	257	234
Guarantees from customers	6,151	5,919
Commitments to take back leased vehicles at the end of the contract	7,730	6,456
Other commitments received	**20**	
Other commitments received	20	
Total commitments received(*)	**18,978**	**17,548**
(*) Of which related parties	*4,698*	*4,235*

At 31 December 2018, RCI Banque had €4,820m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €3,848m of self-subscribed securitizations and unencumbered private receivables mobilizable with the European Central Bank (after haircuts and excluding securities and receivables already in use to secure financing at year-end).

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

Guarantees and collateral

Guarantees or collateral offer partial or total protection against the risk of losses due to debtor insolvency (mortgages, pledges, comfort letters, bank guarantees on first demand for the granting of loans to dealers and private customers in certain cases). Guarantors are the subject of internal or external rating updated at least annually.

With a view to reducing its risk-taking, the RCI Banque group thus actively and rigorously manages its sureties, among other things by diversifying them: credit insurance, personal and other guarantees.

NOTE 24: EXPOSURE TO CURRENCY RISK

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

In millions of euros 12/2017	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(568)	569		1	1	
Position GBP		(342)	469		127		127
Position CHF	517			(514)	3		3
Position CZK	88			(70)	18	1	17
Position ARS	7				7	1	6
Position BRL	151				151		151
Position PLN	398			(385)	13		13
Position HUF	6				6		6
Position RON	6			(6)			
Position KRW	167				167		167
Position MAD	28				28	2	26
Position DKK	151			(148)	3	3	
Position TRY	17				17		17
Position SEK	122			(122)			
Position NOK	1				1	1	
Position RUB	3				3	3	
Position SGD		(30)	30				
Position INR	28				28		28
Position COP	21				21		21
Total exposure	**1,711**	**(940)**	**1,068**	**(1,245)**	**594**	**12**	**582**

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

NOTE 25: INTEREST AND SIMILAR INCOME

In millions of euros	12/2018	12/2017
Interests and similar incomes	**2,751**	**2,540**
Transactions with credit institutions	51	25
Customer finance transactions	2,037	1,934
Finance lease transactions	591	510
Accrued interest due and payable on hedging instruments	61	60
Accrued interest due and payable on Financial assets	11	11
Staggered fees paid for referral of business:	**(656)**	**(548)**
Customer Loans	(534)	(450)
Finance leases	(122)	(98)
Total interests and similar income(*)	**2,095**	**1,992**
(*) Of which related parties	*705*	*645*

As the receivables assigned under the securitization transactions have not been derecognized, interest on those receivables continues to appear under interest and similar income in customer finance transactions.

NOTE 26: INTEREST EXPENSES AND SIMILAR CHARGES

In millions of euros	12/2018	12/2017
Transactions with credit institutions	(191)	(184)
Customer finance transactions	(129)	(126)
Finance lease transactions	(1)	(1)
Accrued interest due and payable on hedging instruments	(47)	(54)
Expenses on debt securities	(316)	(387)
Other interest and similar expenses	(18)	(17)
Total interest and similar expenses(*)	**(702)**	**(769)**
(*) Of which related parties	*(6)*	*(12)*

NOTE 27: FEES AND COMMISSIONS

In millions of euros	12/2018	12/2017
Fees and commissions income	**545**	**492**
Commissions	15	13
Fees	22	20
Incidental commissions from finance contracts	372	332
Commissions from service activities	72	62
Insurance brokerage commission	64	65
Fees and commissions expenses	**(213)**	**(209)**
Commissions	(20)	(19)
Commissions on services related to finance contracts	(138)	(142)
Commissions on service activities	(55)	(48)
Total net commissions(*)	**332**	**283**
(*) Of which related parties	*13*	*6*

To make the financial statements more transparent and easier to read, commissions from finance contracts, commissions from service activities, insurance brokerage commissions and other income and expenses have been reclassified for presentation reasons.

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities primarily concern insurance and maintenance contracts.

NOTE 28: NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of euros	12/2018	12/2017
Net gains (losses) on derivatives classified as transactions in trading securities	**(2)**	**18**
Net gains / losses on forex transactions	(8)	7
Net gains / losses on derivatives classified in trading securities	8	(2)
Net gains and losses on equity securities at fair value	(1)	(1)
Fair value hedges: change in value of hedging instruments	28	(113)
Fair value hedges: change in value of hedged items	(28)	127
Net gains / losses on financial assets designated at fair value through profit or loss	(1)	
Financial assets designated at fair value through profit or loss	**(29)**	
Dividends from non-consolidated holdings	4	
Gains or losses on disposal	(33)	
Total net gains or losses on financial instruments at fair value(*)	**(31)**	**18**
(*) Of which related parties	*4*	

NOTE 29: NET INCOME OR EXPENSE OF OTHER ACTIVITIES

In millions of euros	12/2018	12/2017
Other income from banking operations	**950**	**786**
Income from service activities	451	423
Income related to non-doubtful lease contracts	271	156
of which reversal of impairment on residual values	*27*	*15*
Income from operating lease transactions	193	173
Other income from banking operations	35	34
of which reversal of charge to reserve for banking risks	*10*	*14*
Other expenses of banking operations	**(725)**	**(682)**
Cost of service activities	(187)	(197)
Expenses related to non-doubtful lease contracts	(280)	(198)
f which allowance for impairment on residual values	*(25)*	*(60)*
Distribution costs not treatable as interest expense	(92)	(139)
Expenses related to operating lease transactions	(133)	(118)
Other expenses of banking operations	(33)	(30)
of which charge to reserve for banking risks	*(16)*	*(14)*
Other operating income and expenses	**11**	**4**
Other operating income	27	22
Other operating expenses	(16)	(18)
Total net income (expense) of other activities(*)	**236**	**108**
(*) Of which related parties	*(9)*	*(49)*

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities are presented in Note 27.

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

Net income of own risk insurance activities

In millions of euros	12/2018	12/2017
Gross premiums issued	349	326
Net charge of provisions for technical provisions	(42)	(75)
Claims paid	(27)	(23)
Others contract charges including commissions paid		(1)
Claims recovered from reinsurers	11	10
Others reinsurance charges and incomes	(25)	(8)
Total net income of insurance activities	**266**	**229**

NOTE 30: GENERAL OPERATING EXPENSES AND PERSONNAL COSTS

In millions of euros	12/2018	12/2017
Personnel costs	**(295)**	**(268)**
Employee pay	(190)	(182)
Expenses of post-retirement benefits	(16)	(16)
Other employee-related expenses	(66)	(67)
Other personnel expenses	(23)	(3)
Other administrative expenses	**(270)**	**(246)**
Taxes other than current income tax	(43)	(39)
Rental charges	(11)	(11)
Other administrative expenses	(216)	(196)
Total general operating expenses(*)	**(565)**	**(514)**
(*) Of which related parties	*(2)*	

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

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

Average number of employees	12/2018	12/2017
Sales financing operations and services in France	1,545	1,461
Sales financing operations and services in other countries	1,937	1,821
Total RCI Banque group	**3,481**	**3,282**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks.

NOTE 31: COST OF RISK BY CUSTOMER CATEGORY

In millions of euros	12/2018	12/2017
Cost of risk on customer financing	**(172)**	**(58)**
Impairment allowances	(398)	(202)
Reversal of impairment	308	234
Losses on receivables written off	(114)	(120)
Amounts recovered on loans written off	32	30
Cost of risk on dealer financing	**34**	**15**
Impairment allowances	(83)	(50)
Reversal of impairment	117	76
Losses on receivables written off	(1)	(12)
Amounts recovered on loans written off	1	1
Other cost of risk	**(7)**	**(1)**
Change in allowance for impairment of other receivables	(5)	(1)
Other valuation adjustments	(2)	
Total cost of risk	**(145)**	**(44)**
(*) Of which related parties	*(1)*	

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

NOTE 32: INCOME TAX

In millions of euros	12/2018	12/2017
Current tax expense	**(283)**	**(246)**
Current tax expense	(283)	(246)
Deferred taxes	**(50)**	**(83)**
Income (expense) of deferred taxes, gross	(51)	(83)
Change in allowance for impairment of deferred tax assets	1	
Total income tax	**(333)**	**(329)**

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 -€5m.

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

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

Breakdown of net deferred taxes by major category

In millions of euros	12/2018	12/2017
Provisions	18	30
Provisions and other charges deductible when paid	14	8
Tax loss carryforwards	96	66
Other assets and liabilities	156	82
Lease transactions	(610)	(489)
Non-current assets	4	(1)
Impairment allowance on deferred tax assets	(5)	(6)
Total net deferred tax asset (liability)	**(327)**	**(310)**

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2018	12/2017
Statutory income tax rate - France	**34.43%**	**34.43%**
Differential in tax rates of French entities	0.77%	2.97%
Differential in tax rates of foreign entities	- 7.58%	- 5.04%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	- 0.07%	0.01%
Effect of equity-accounted associates	- 0.38%	- 0.42%
Other impacts	0.10%	- 1.36%
Effective tax rate	**27.27%**	**30.59%**

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2018 change in equity			2017 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	4	(1)	3	(2)		(2)
Unrealised P&L on financial assets	(1)	1		1		1
Actuarial differences	2		2	(1)		(1)
Exchange differences	(65)		(65)	(78)		(78)

NOTE 33: EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 January 2019, the Italian Competition Authority ("Autorità Garante della Concorrenza e del Mercato") imposed a fine on RCI Banque of 125 million euros, Renault SA being jointly liable for payment of the fine. RCI Banque's position as regards this event, is given in note 15.

Thus no event subsequent to closure that might have a significant effect on the accounts to 31 December 2018 occurred between the date of closure and 08 February 2019, the date on which the Board approved the accounts.

8. GROUP SUBSIDIARIES AND BRANCHES

A) LIST OF CONSOLIDATED COMPANIES AND FOREIGN BRANCHES

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2018	2017
PARENT COMPANY: RCI BANQUE S.A.						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque S.A. Niederlassung Osterreich	Austria					
RCI Banque S.A. Sucursal en Espana	Spain					
RCI Banque Sucursal Portugal	Portugal					
RCI Banque S.A. Bancna Podruznica Ljubljana	Slovenia					
RCI Banque Succursale Italiana	Italy					
RCI Banque Branch Ireland	Ireland					
Renault Finance Nordic, Bankfilial till RCI Banque S.A. Frankrike	Sweden					
RCI Banque Spółka Akcyjna Oddział w Polsce	Poland					
RCI Bank UK	United-Kingdom					
FULLY CONSOLIDATED COMPANIES						
RCI Versicherungs Service GmbH	Germany	100			**100**	100
Rombo Compania Financiera S.A.	Argentina	60			**60**	60
Courtage S.A.	Argentina	95			**95**	95
RCI Financial Services S.A.	Belgium	100			**100**	100
AUTOFIN	Belgium	100			**100**	100
Administradora De Consorcio RCI Brasil Ltda.	Brazil	99.92			**99.92**	99.92
Banco RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI Brasil)	Brazil	60,11	-		**60.11**	60,11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			**100**	100
RCI Colombia S.A. Compania De Financiamiento**	Colombia	51			**51**	51
RCI Servicios Colombia S.A.*	Colombia	94.98			**94.98**	-
RCI Financial Services Korea Co, Ltd	South Korea	100			**100**	100
Overlease S.A.	Spain	100			**100**	100
Diac S.A.	France	100			**100**	100
Diac Location S.A.	France	-	100	Diac S.A.	**100**	100
RCI ZRT	Hungary	100			**100**	100
ES Mobility SRL	Italy	100			**100**	100
RCI Services Ltd	Malta	100			**100**	100
RCI Insurance Ltd	Malta	-	100	RCI Services Ltd	**100**	100
RCI Life Ltd	Malta	-	100	RCI Services Ltd	**100**	100

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2018	2017
RCI Finance Maroc	Morocco	100			**100**	100
RDFM	Morocco	-	100	RCI Finance Maroc	**100**	100
RCI Financial Services B.V.	Netherlands	100			**100**	100
RCI Leasing Polska	Poland	100			**100**	100
RCI COM S.A.	Poland	100			**100**	100
RCI GEST SEGUROS – Mediadores de Seguros, Lda	Portugal	-	100	RCI COM S.A.	**100**	100
RCI Finance CZ s.r.o.	Czech Republic	100			**100**	100
RCI Financial Services s.r.o.	Czech Republic	50			**50**	50
RCI Broker De Asigurare S.R.L.	Roumania	100	100	RCI Finantare Romania	**100**	100
RCI Leasing Romania IFN S.A.	Roumania	100			**100**	100
RCI Financial Services Ltd	United-Kingdom	100			**100**	100
OOO RN FINANCE RUS	Russia	100			**100**	100
RCI Finance S.A.	Switzerland	100			**100**	100
SPV						
CARS Alliance Auto Loans Germany Master	Germany		(see note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V2016-1	Germany		(see note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Deutschland		
CARS Alliance DFP Germany 2017**	Germany		(see note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans France V 2018-1*	France		(see note 13)	Diac S.A.		
FCT Cars Alliance DFP France	France		(see note 13)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(see note 13)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL	Italy		(see note 13)	RCI Banque Succursale Italiana		
Cars Alliance Auto UK 2015 Limited	United-Kingdom			RCI Financial Services Ltd		
Fundo de Investimento em Direitos Creditórios RCI Brasil I	Brazil		(see note 13)	Banco RCI Brasil S.A.		
Fundo de Investimento em Direitos Creditórios RN Brasil	Brazil			Banco RCI Brasil S.A.		
Fundo de Investimentos em Direitos Creditórios CAS VD*	Brazil			Banco RCI Brasil S.A.		
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD						
RN SF B.V.	Netherlands	50			**50**	50
BARN B.V.	Netherlands	-	60	RN SF B.V.	**30**	30
RN Bank	Russia	-	100	BARN B.V.	**30**	30
Orfin Finansman Anonim Sirketi	Turkey	50			**50**	50
Renault Crédit Car	Belgium	-	50.10	AUTOFIN	**50.10**	50.10
Nissan Renault Financial Services India Private Ltd	India	30			**30**	30

** Entities added to the scope in 2018.*
*** Entities added to the scope in 2017.*

B) SUBSIDIARIES IN WHICH NON-CONTROLLING INTERESTS ARE SIGNIFICANT

In millions of euros - 31/12/2018 before intra-group elimination	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A.
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40.00%	39.89%
Share in associates by non controlling interests	40.00%	39.89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures		19
Equity: Investments in associates and joint ventures		
Dividends paid to non controlling interests (minority shareholders)		8
Cash, due from banks	21	103
Net outstandings customers loans and lease financings	185	1,965
Other assets	4	143
Total assets	**210**	**2,211**
Due to banks, customer deposits and debt securities issued	171	1,867
Other liabilities	10	89
Net Equity	29	255
Total liabilities	**210**	**2,211**
Net banking income	**8**	**121**
Net income	(1)	47
Other components of comprehensive income	6	(12)
Total comprehensive income	**5**	**35**
Net cash generated by operating activities	15	80
Net cash generated by financing activities		(33)
Net cash generated by investing activities		(2)
Net increase/(decrease) in cash and cash equivalents	**15**	**45**

Percentages of voting rights are identical.

The amount of debt for puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €127m at 31 December 2018, against €129m at 31 December 2017.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €13m at 31 December 2018, against €25m at 31 December 2017.

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In millions of euros - 31/12/2017 before intra-group elimination	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A.
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40.00%	39.89%
Share in associates by non controlling interests	40.00%	39.89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated
Net increase/(decrease) in cash and cash equivalents	4	19
Equity: Investments in associates and joint ventures		(1)
Dividends paid to non controlling interests (minority shareholders)		51
Cash, due from banks	5	92
Net outstandings customers loans and lease financings	344	1,876
Other assets	5	163
Total assets	**354**	**2,131**
Due to banks, customer deposits and debt securities issued	301	1,780
Other liabilities	7	88
Net Equity	46	263
Total liabilities	**354**	**2,131**
Net banking income	**24**	**125**
Net income	9	49
Other components of comprehensive income		(18)
Total comprehensive income	**9**	**31**
Net cash generated by operating activities	3	236
Net cash generated by financing activities		(216)
Net cash generated by investing activities		
Net increase/(decrease) in cash and cash equivalents	**3**	**20**

C) SIGNIFICANT ASSOCIATES AND JOINT VENTURES

In millions of euros - 31/12/2018 before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	9	4	2
Investments in associates and joint ventures	63	21	31
Dividends received from associates and joint ventures			
Cash, due from banks	124	53	2
Net outstandings customers loans and lease financings	993	454	326
Other assets	39	7	14
Total assets	**1,156**	**514**	**342**
Due to banks, customer deposits and debt securities issued	919	458	13
Other liabilities	33	13	227
Net Equity	204	43	102
Total liabilities	**1,156**	**514**	**342**
Net banking income	**74**	**21**	**18**
Net income	35	8	5
Other components of comprehensive income			
Total comprehensive income	**35**	**8**	**5**
Net cash generated by operating activities	(13)	2	(47)
Net cash generated by financing activities	38		
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**25**	**2**	**(47)**

In millions of euros - 31/12/2017 before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	9	4	2
Investments in associates and joint ventures	48	24	30
Dividends received from associates and joint ventures			
Cash, due from banks	114	67	2
Net outstandings customers loans and lease financings	963	600	305
Other assets	35	7	26
Total assets	**1,112**	**674**	**333**
Due to banks, customer deposits and debt securities issued	908	610	45
Other liabilities	52	16	187
Net Equity	152	48	101
Total liabilities	**1,112**	**674**	**333**
Net banking income	**70**	**21**	**17**
Net income	32	8	6
Other components of comprehensive income	(1)		
Total comprehensive income	**31**	**8**	**6**
Net cash generated by operating activities	47	13	(110)
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**47**	**13**	**(110)**

D) SIGNIFICANT RESTRICTIONS

The group has no significant restrictions on its ability to access or use its assets and settle its liabilities, other than those resulting from the regulatory framework in which its subsidiaries operate.

Local supervisory authorities may require bank subsidiaries to maintain a certain level of capital and liquidities, to limit their exposure to other parts of the group and to comply with other ratios.

APPENDIX 1: INFORMATION ABOUT LOCATIONS AND OPERATIONS

In millions of euros - 31/12/2018

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
France	RCI Banque S.A.	Holding	429	185,5	83,5	(48,5)	20,0	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	353	247,3	174,6	(27,9)	(28,0)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	59	44,4	19,4	(10,5)	1,1	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	53	23,1	12,5	(2,0)	(1,1)	
Belgium	RCI Financial Services S.A.	Financing	33	15,8	11,1	(3,4)	(0,6)	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	152	132,5	86,3	(30,2)	(1,8)	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	54	23,6	11,9	(3,0)	0,3	
	RCI Servicios Colombia S.A.							
South Korea	RCI Financial Services Korea Co. Ltd	Financing	111	66,7	40,5	(10,1)	0,4	
Spain	RCI Banque S.A. Sucursal En España	Financing	210	143,5	98,3	(38,3)	9,1	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1,034	418,8	209,5	(1,5)	(66,7)	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	5	3,4	3,2	(0,2)		
India	Nissan Renault Financial Services India Private Limited	Financing	107		1,6			
Ireland	RCI Banque, Branch Ireland	Financing	26	18,0	15,2	(1,9)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	216	148,3	102,3	(33,6)	(0,3)	
	ES Mobility S.R.L.	Financing						

In millions of euros - 31/12/2018

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
	RCI Services Ltd	Holding						
Malta	RCI Insurance Ltd	Service	27	136,3	130,4	(15,7)	7,6	
	RCI Life Ltd	Service						
Morocco	RCI Finance Maroc S.A.	Financing	48	25,1	13,3	(6,4)	1,8	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	46	21,4	12,3	(3,2)	0,3	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	65	32,0	26,4	(11,2)	3,5	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	44	19,1	19,7	(5,4)	0,6	
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	12,6	8,5	(1,8)		
	RCI Financial Services, S.r.o.	Financing						
	RCI Finantare Romania S.r.l.	Financing						
Romania	RCI Broker de asigurare S.R.L.	Services	67	16,3	11,8	(2,0)		
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	288	151,4	84,8	(22,1)	4,3	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	189	0,3	10,8	(0,1)		
	Sous groupe RNSF BV, BARN BV et RN Bank	Financing						
Slovenia	RCI Banque S.A. Bančna podružnica Ljubljana	Financing	40	9,4	5,1	(1,2)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	17	10,3	7,2	(1,1)	(0,5)	
Switzerland	RCI Finance S.A.	Financing	48	25,0	11,0	(1,7)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	60		3,8			
TOTAL			**3,803**	**1,930**	**1,215**	**(283)**	**(50)**	

ANNEXE 2: FINANCIAL RISKS

Refinancing and balance sheet management

The Finance and Cash Department is responsible for refinancing those of the group's entities that are eligible for centralized refinancing. It obtains the funds required to ensure continuity of business activity (issuance of bonds and other negotiable debt securities, securitization, money market borrowings, ...), balances assets and liabilities, and adjusts the cash positions of the group's companies, while managing and minimizing exposure to financial risks, through the use of interest rate swaps, currency swaps and spot and forward foreign exchange transactions.

The principles of the financial policy extend to all consolidated subsidiaries of the RCI Banque group and are adapted and applied in subsidiaries whose refinancing is not centralized.

All refinancing for subsidiaries in countries outside the Eurozone whose transfer and convertibility risk is deemed to be a material risk by RCI Banque is generally done locally to limit any cross-border risk. Group procedures do however allow the central refinancing office to grant occasional cross border funding to subsidiaries located in such countries if the funding is for a limited amount only or if there is an insurance policy covering the non-convertibility and non-transfer risk.

Such subsidiaries are also subject to the same financial risk monitoring requirements as other group subsidiaries. They must observe limits on interest rate risk and foreign exchange risk, monitor their liquidity risk, contain their counterparty risk and have in place specific monitoring of financial risk by means of a dedicated financial committee and special purpose reporting.

Transactions on financial instruments carried out by the RCI Banque holding are for the main part related to its central refinancing function for the group.

ORGANIZATION OF MARKET RISK MANAGEMENT

The specific market risk management system is part of the RCI Banque group's overall internal control system, and operates to standards approved by Renault as the shareholder. RCI Banque's Finance and Cash Department is responsible for managing market risks (aggregate risk arising from interest rate, liquidity and foreign exchange exposures) and for verifying compliance with allowable limits at the consolidated group level. The rules and ceilings are approved by the shareholder and are periodically updated. The Financial Risk team attached to the Risk and Bank Regulations Department (Corporate Secretary's Office and Risk Management Department) is responsible for producing a daily report and overseeing the group's exposure to financial risks.

Foreign exchange instruments, interest rate instruments and currencies approved for use in managing market risks are specified on a list of authorized products validated by RCI Banque's Finance Committee.

MANAGING AGGREGATE INTEREST-RATE, FOREIGN EXCHANGE, COUNTERPARTY AND LIQUIDITY RISKS

INTEREST RATE RISK

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin.

The RCI Banque group's aim is to mitigate this risk as far as possible in order to protect its mark-up.

In order to take account of the difficulty of precisely adjusting the structure of borrowings to that of loans, limited flexibility is accepted in interest rate hedging by each subsidiary.

This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the finance committee, in an individual adaptation of part of the overall limit determined by RCI Banque's Board of Directors.

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€14.1m
Not assigned:	€03.9m
Total sensitivity limit in €m granted by Renault to RCI Banque:	**€50.0m**

The indicator monitored internally, discounted sensitivity (Economic Value - EV) consists in measuring at a given point in time (t) the impact of a change in interest rates on the market price of an entity's balance sheet flows. The market price is determined by the discounting of future cash flows at the market rates at point t. This measurement is used to set the limits that apply to the group's management entities.

In accordance with regulatory changes (EBA/GL/2018/02), RCI Banque also measures the sensitivity of the net interest margin (NIM) and the sensitivity of the economic value of equity (EVE).

Calculations are based on average monthly asset and liability gaps which incorporate fixed-rate transactions and floating rate transactions until their next review date.

Maturities of in-force business are determined by taking into account the contractual characteristics of transactions and the results of the modelling of historical customer behavior patterns (early repayment, etc.), supplemented by assumptions about certain aggregates (owners' equity, etc.).

Sensitivity is calculated daily per currency and per management entity (central refinancing office, French and foreign sales financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk Team attached to the Risk and Bank Regulations Department (Company Secretary's Office and Risk Management Department).

The situation of each entity with regard to its limit is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate.

The results of controls are the subject of monthly reporting to the finance committee, which checks that positions are in line with the group's financial strategy and with prevailing procedural memoranda.

Over the Year 2018, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€50m).

At 31 December 2018, sensitivity to NIM following a 100-basis point rise in rates would have an impact of:

- +€3.4m in EUR,
- +€1.4m in MAD,
- +€0.8m in GBP,
- +€0.3m in KRW,
- -€0.4m in BRL,
- -€0.4m in CZK,
- -€0.7m in CHF.

The absolute sensitivity values in each currency totaled €7.8m.

ANALYSIS OF THE STRUCTURAL RATE HIGHLIGHTS THE FOLLOWING POINTS

SALES FINANCING SUBSIDIARIES

Virtually all loans to customers by sales financing subsidiaries are granted at a fixed rate for terms of one to seventy-two months.

These loans are hedged by fixed-rate resources having the same structure. They are backed by macro-hedging and only generate a residual interest rate risk.

In subsidiaries where the resource is at a floating rate, interest rate risk is hedged by macro-hedging interest rate swaps.

CENTRAL REFINANCING OFFICE

RCI Holding's main activity is to refinance the group's commercial subsidiaries.

The in-force business of the sales financing subsidiaries is backed by fixed-rate resources, some of which are micro-hedged by interest rate swaps and by variable rate resources.

Macro-hedging transactions in the form of interest rate swaps keep the sensitivity of the holding company below the limit set by the group (€32m).

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

Monthly tests are carried out to ascertain:

- the effectiveness of the hedging of fixed-rate resources by the interest rate swaps assigned to micro-hedge them;
- the relevance of macro-hedging transactions, by setting them against the variable rate resources.

These data are calculated on the basis of simplified scenarios, working on the assumption that all positions run to maturity and that they are not readjusted to factor in new market conditions.

The sensitivity of reserves to a change in interest rates as presented above would in no way be representative of an impact on future results.

LIQUIDITY RISK

RCI Banque pays great attention to diversifying its sources of access to liquidity.

To that end, the group imposes stringent internal standards on itself.

RCI Banque's oversight of liquidity risk is based on the following:

Static liquidity

This indicator measures the difference (gap) between existing liabilities and assets at a given date without any assumptions as to the renewal of liabilities or assets. It gives a point-in-time snapshot of the liquidity position, or static liquidity gap. The group's policy is refinance its assets by means of liabilities with a longer maturity, thus maintaining positive static liquidity gaps across all areas of the balance sheet.

Liquidity reserve

The liquidity reserve is a source of emergency liquidity that can be used by RCI Banque in the event of necessity. It consists of High Quality Liquid Assets (HQLA) as defined by the Basel Committee for calculating the liquidity coverage ratio (LCR), financial assets not recognized as HQLA by the Basel Committee, confirmed bilateral lines of credit and assets eligible as collateral in European Central Bank (ECB) transactions not already counted as HQLA or financial assets. Minimum and adequate liquidity reserve levels are determined every six months within the centralized refinancing scope and for physical entities whose refinancing is local.

Stress scenarios

Every month, the Finance Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.

FOREIGN EXCHANGE RISK

Since May 2009, RCI Banque has been authorized by France's Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR) to exclude durable and structural assets from its foreign exchange exposure, given its compliance with the conditions set out in Article 331 of the Order dated 20 February 2007.

Consequently, as its foreign exchange position is below the 2% of capital threshold set in Article 293-2 of the Order dated 20 February 2007, RCI Banque no longer calculates capital requirements for the foreign exchange risk.

CENTRAL REFINANCING UNIT

The forex position of RCI Banque S.A., the central refinancing unit, which historically is very low, stayed under €4m throughout the year.

No position is accepted within the framework of refinancing management. In this respect, the trading room secures the systematic hedging of all flows concerned.

Residual and temporary positions in currencies, related to cash flow timing differences inherent in multi-currency cash management, may, however, remain. Any such positions are monitored daily and are subject to the same hedging concern.

Any other forex transactions (in particular for the anticipated hedging of projected dividends) may only be initiated further to the decision of the head of the Finance and Cash Department.

SALES FINANCING SUBSIDIARIES

Sales financing subsidiaries are required to refinance themselves in their own currency and thus are not exposed.

By way of exception, limits are allocated to subsidiaries whose sales financing operations or refinancing are multi-currency, and to those that are authorized to invest some of their cash surpluses in a currency other than their domestic currency.

The RCI Banque group's overall limit granted by the Renault shareholder is €30m.

At 31 December 2018, the RCI Banque group's consolidated forex position is €9.2m.

COUNTERPARTY RISK

RCI Banque's exposure to bank counterparty risk arises from various market transactions made by the group's entities as part of their everyday business (investment of cash surpluses, interest rate or forex hedging, investments in liquid assets, etc.).

Transactions are made with first-class banks and counterparty risk on market transactions is managed with a system of limits set by RCI Banque and then approved by Renault as part of the group-wide consolidation of counterparty risks. Limits are set using an internal rating method based on capital adequacy, long-term ratings by credit agencies and a qualitative appraisal of the counterparty.

Compliance with these limits is monitored daily. All the results of controls are communicated monthly to the RCI Banque finance committee and integrated into the consolidated monitoring of Groupe Renault counterparty risk.

In addition to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI has a portfolio of investments in liquid assets. Limits on the amount and maturity of the latter are set for each issuer.

RCI Banque has also invested in money market funds, corporate bonds and a fund whose assets consist of debt securities issued by European agencies, sovereigns and by supranational issuers. Each of these investments is subject to a specific limit approved by the finance committee and reviewed at least once a year.

Occasional authorization is also granted to sales refinancing subsidiaries so that they can invest in treasury bills or Central Bank notes in their home countries.

These limits are also monitored daily and are reported monthly to the RCI Banque finance committee.

In the case of finance entities, risk takes into account cash exposure (deposits and accrued interest) and exposure on derivatives calculated using the internal fixed-rate method presented hereafter.

Fixed-rate method:

Exposure to counterparty risk is measured using weighting factors which depend on the type of instrument and the duration of the transaction.

Residual term	Rate factor (as a % of the nominal)	Initial Term	Foreign exchange factor (as a % of the nominal)
Between 0 and 1 year	2%	Between 0 and 1 year	6%
Between 1 and 2 years	5%	Between 1 and 2 years	18%
Between 2 and 3 years	8%	Between 2 and 3 years	22%
Between 3 and 4 years	11%	Between 3 and 4 years	26%
Between 4 and 5 years	14%	Between 4 and 5 years	30%
Between 5 and 6 years	17%	Between 5 and 6 years	34%
Between 6 and 7 years	20%	Between 6 and 7 years	38%
Between 7 and 8 years	23%	Between 7 and 8 years	42%
Between 8 and 9 years	26%	Between 8 and 9 years	46%
Between 9 and 10 years	29%	Between 9 and 10 years	50%

These factors are intentionally higher than those stipulated by capital adequacy regulations, which is a deliberately prudent and conservative approach given current market conditions. No netting is made between risks relating to positions that neutralize each other with the same counterparty.

To ensure that this method is conservative, exposure on derivatives is recalculated at regular intervals using the regulatory "positive mark to market + add-on" method presented below:

"Positive mark to market + add-on" method:

This method is based on the so-called "major risks" regulatory method. Exposure for derivatives (rate and foreign exchange) is calculated as the sum of potential losses, calculated on the basis of the replacement value of the contracts with the counterparty without netting with potential gains, plus an "add-on" representing the potential future risk. This potential future risk is determined by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and Council of 26 June 2013, Article 274) as follows:

Residual term	Interest rates options (as % of nominal)	Foreign currency and gold options (as % of nominal)
<= 1 year	0%	1%
1 year < term <= 5 years	0.50%	5%
> 5 years	1.50%	7.50%

According to the "positive mark to market + add-on" method, the equivalent counterparty risk is €29m at 31 December 2018 against €117m at 31 December 2017. According to the fixed-rate method, it is €423m at 31 December 2018 against €775m at 31 December 2017.

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

Bank guarantees received are subject to specific monitoring.

GENERAL INFORMATION

I - GENERAL INFORMATION ABOUT THE COMPANY

A - GENERAL PRESENTATION

NAME AND REGISTERED OFFICE

Corporate name: RCI Banque S.A.
Trade name: RCI Bank and services
Nationality: French
Registered office: 15, rue d'Uzès - 75002 Paris - France
Tel.: + 33 (0)1 4932 8000

LEGAL FORM

Société Anonyme à Conseil d'administration (a limited company with a Board of Directors, under French law).

GOVERNING LAW

The Company is governed by the provisions of the Code de Commerce (French Commercial Code).

Since it was granted its banking license by the Banque de France on 7 March 1991, RCI Banque has also been subject to all the laws and regulations applicable to credit institutions, in particular those incorporated into France's Monetary and Financial Code (Code Monétaire et Financier).

DATE CREATED AND TERM

The company was created on 9 April 1974, and registered with the Paris Commercial Court on 4 June 1974. It began operating on 21 August 1974, for a term of 99 years, i.e. until August 2073.

CORPORATE PURPOSE

The main purpose of RCI Banque is to engage in credit and banking operations of all kinds, in France and abroad, directly or indirectly, on its own behalf or on behalf of third parties, for the purposes of:

- financing the acquisition of goods or services or for other purpose; in particular, long-term credit transactions as well as issuance or management of payment systems in connection with such transactions;
- conducting studies of all kinds relating to the formation, expansion and transformation of industrial, commercial, financial and service undertakings;
- conducting full or partial studies, and engaging in consulting and negotiating activities in economic, financial, commercial and managerial areas;
- conducting research on designing and improving managerial, organizational and financial systems;
- carrying out projects resulting from the aforementioned studies, or contributing to the execution thereof by any appropriate means, including taking equity interests in existing or new entities;
- financing business entities, in particular by acquiring holdings of their equity or debt securities, using the Company's own funds or borrowed funds;
- providing investment services as defined by the French Financial Activities Modernization Act (96-597) of 2 July 1996;
- managing the portfolio of securities resulting from these activities, in particular by carrying out all purchase, sale, exchange and transfer transactions in securities of all kinds;
- doing business as an insurance intermediary within the meaning of the French law of 15 December 2005 transposing the European Directive of 9 December 2002, acting as agent, commissioner or broker;
- more generally, carrying out any industrial, commercial, financial or property transactions directly or indirectly related to the corporate purpose or to any similar or connected purposes useful to, or facilitating the realization and development of that purpose.

REGISTRATION AND IDENTIFICATION NUMBER

The Company is registered with the Paris Register of Companies under SIREN number: 306 523 358, ORIAS number: 07023704, and APE code 6419Z (business activity code).

ACCESS TO LEGAL DOCUMENTS

Legal documents pertaining to the issuer may be consulted at the Company's registered office.

FINANCIAL YEAR

The Company's financial year starts on 1st January and ends on 31 December of each calendar year.

B - SPECIAL ARTICLES OF ASSOCIATION PROVISIONS

STATUTORY ALLOCATION OF EARNINGS

(Article 36 – distribution of dividends)

Net income consists of net revenues for the year, less overhead costs and other corporate expenses, and after depreciation, amortization and impairment allowances. At least five percent of net income less any prior-year losses is appropriated to fund the legal reserve. Once the amount of the legal reserve is equal to one-tenth of the share capital, this appropriation is no longer mandatory.

It is resumed in the event that the legal reserve falls below one tenth of the share capital for any reason. Distributable income consists of the current year's net income less any prior-year losses, the aforementioned appropriation, and any other transfers required by applicable law, plus unallocated retained earnings brought forward from previous years. From this income, the Ordinary General Meeting may decide to distribute dividends. Such dividends shall be appropriated first from the distributable income generated in the current year. From the available surplus, the Ordinary General Meeting may appropriate any amounts it deems appropriate, to be carried over to one or more general or special reserve accounts to be allocated or used as it sees fit.

GENERAL MEETINGS

(Articles 27 to 33 of the Articles of Association)

Types of general meeting

Each year, the shareholders convene in an Annual General Meeting, which must be held within five months of the end of the financial year. In addition, the shareholders may hold Ordinary General Meetings that meet on an extraordinary basis, or Extraordinary General Meetings when their purpose is to amend the Articles of Association, except as otherwise provided for by law, may also be held.

The General Meeting, duly constituted, represents all shareholders. Its decisions, taken in accordance with law and the Company's Articles of Association, are binding on all shareholders, even those who are absent, incapable of attending or in disagreement.

Shares held in treasury by the Company are not counted when calculating the quorum for the various meetings.

Two members of the works council, appointed by that council, one representing engineers and managerial staff and the other representing support staff, may attend general meetings.

The Board of Directors may decide that shareholders will be able to take part in and vote at general meetings by videoconference or any other means of telecommunication that permits them to be identified as required by law.

Notice of meetings

The Board of Directors calls the shareholders to General Meetings by means of a notice indicating the date, time and place of meeting.

General meetings may also be convened by:

- the Statutory Auditors;
- a representative appointed by order of the presiding judge of a French commercial court ruling in summary proceedings at the petition either of any interested party, or of one or more shareholders who together own at least 5% of the share capital;
- the receivers.

Quorum – Majority

Ordinary and Extraordinary General Meetings are subject to the quorum and majority requirements prescribed by law and exercise the powers allocated to them by law.

Composition of meetings

All shareholders, regardless of the number of shares they own, may attend general meetings, participate in the proceedings and vote. Owners of registered shares who have requested that such shares be duly recorded in the Company register at least five days before the meeting are admitted upon presentation of identification. Shareholders may be represented by another shareholder, or by their spouse. Proxies prepared in accordance with the law must be received at the registered office at least five days before the date of the meeting.

All shareholders, regardless of the number of shares they own, may attend Extraordinary Meetings, take part in the proceedings and vote. The right to vote in Ordinary General Meetings belongs to the beneficial owner of the shares to which the right is attached; the right to vote in Extraordinary General Meetings belongs to the named legal owner. When a general meeting has been called, the Company shall, at its own expense, deliver or send a mail ballot and attachments thereto, to any shareholder who so requests by registered mail (return receipt requested). The Company must honor any request received by its registered office no later than six days before the date of the meeting.

The mail ballot must include certain information as stipulated by Articles R.225-76 and seq. of the Code de Commerce (French Commercial Code). It must clearly notify the shareholder that abstention from voting or failure to indicate voting instructions on any item shown on the form will be treated as a vote against the proposed resolution.

The form may be included in the same document as the proxy form, if applicable. In this event, the applicable provisions are those of Article R.225-78 of the Code de Commerce (French Commercial Code). The documents stipulated by the aforementioned Article R.225-76 must be attached to the mail ballot.

A mail ballot sent to the Company for a given General Meeting is also valid for any subsequent meetings convened to address the same agenda. Mail ballots must be received by the Company at least three days before the date of the meeting. If a proxy is returned with a mail ballot, the proxy is taken into consideration subject to the votes indicated in the mail ballot.

Meeting officers - Attendance sheet

The General Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the Vice Chairman, if one has been named, or by a director appointed by the board.

If the meeting has been convened by the Statutory Auditors, by a court-appointed representative or by the receivers, one of their members chairs the meeting. The votes are counted by the two largest shareholders, either acting on their own behalf or as representatives, or, if they decline, by the next largest shareholders, and so on, until this responsibility is accepted. These officers appoint the secretary of the meeting, who need not be a member of the meeting. An attendance sheet containing all information required by law and regulation is drawn up at shareholders' meetings. The meeting's officers may attach to the attendance sheet all proxy or mail ballots showing the last name, usual first name and address of each shareholder represented or casting a mail ballot, the number of shares that he or she owns, and the number of votes attached to those shares. In this case, the meeting's officers shall indicate the number of proxies and mail ballots attached to the attendance sheet, together with the number of shares and voting rights associated with such proxies and mail ballots.

Proxies and mail ballots shall be submitted at the same time and under the same conditions as the attendance sheet. The accuracy of the attendance sheet, duly initialed by the shareholders in attendance and by shareholders' representatives, is certified by the meeting's officers.

The responsibilities of the officers relate exclusively to the holding of the meeting and proper conduct thereof; their decisions are always provisional and remain subject to a vote by the meeting itself. Any interested party may initiate such a vote.

Agenda

The meeting's agenda is established by the Board of Directors or by the person who convenes the General Meeting.

However, under the conditions prescribed by law, one or more shareholders may request that certain draft resolutions not concerning the presentation of candidates for the Board of Directors be included on the agenda.

Minutes

The proceedings of general meetings are recorded in minutes that are entered in a special numbered and initialed register and signed by the meeting's officers. The minutes may be drawn up on sequentially numbered, initialed loose-leaf sheets.

Copies or extracts of the minutes to be provided for legal or other purposes are duly certified either by the Chairman of the Board of Directors or by a director serving as chief executive or by the meeting's secretary. Such copies or extracts are valid with respect to third parties provided that the signatures thereon are valid.

C - GENERAL INFORMATION ABOUT THE SHARE CAPITAL

C.1 - GENERAL PRESENTATION

Share capital

The share capital, which was initially 2,000,000 French francs, was subsequently altered by capital increases and by conversion into euros. Following these changes, the share capital has stood at €100,000,000 since 22 November 2000. It is divided into 1,000,000 fully paid shares of €100 each.

C.2 - CURRENT SHARE CAPITAL OWNERSHIP AND VOTING RIGHTS

Shareholders

At 31 December 2018, Renault S.A.S. owned all of the share capital (apart from one share granted to the Chief Executive Officer).

Changes in share capital ownership over the past three years

Following an amendment to the Articles of Association decided upon by the Extraordinary General Meeting of 30 September 2015, the number of shareholders was reduced to seven.

Following the amendment to Article L.225-1 of France's Commercial Code (Code du commerce) by the Act of 10 May 2016, the number of shareholders was reduced to its minimum, i.e. to two shareholders.

Individuals or legal entities that exercise or may exercise control over RCI Banque

Renault S.A.S. owns 99.99% of RCI Banque S.A.

Organization – issuer's position within a group

The Renault Group consists of two separate and distinct branches:

- the automobile branch;
- the sales financing branch composed of the RCI Banque group. Through its status as a bank, its independent access to financial markets and its inclusion in Renault's marketing policy, RCI Banque offers a competitive range

of automobile financing products and related services to Renault Group brand dealership networks worldwide and to Nissan brand dealership networks in Europe.
The organization of the RCI Banque group is described on the back cover of this document.

C.3 - MARKETS FOR ISSUER'S SECURITIES

The Company's shares are not listed on any stock exchanges.

Securities listings

Publicly traded debt securities of the RCI Banque group are listed on the Luxembourg and Paris stock exchanges.

D - EMPLOYEE PROFIT SHARING SCHEME

In accordance with Articles L.442-1 and seq. of the Code du travail (French Labor Code), a profit-sharing agreement was signed on 2 June 2003. Profit-sharing is allocated to all group employees in proportion to the gross salary received by each eligible individual during the relevant year, up to the limits set by law. Each beneficiary may choose to allocate this amount:

- either to a current account in his or her name on the Company's books, or;
- to units in a unit trust.

The RCI Banque group does not have a stock option plan for its employees, officers and directors.

	2018	2017	2016	2015	2014
Profit-sharing (in €m)	9.5	9.1	8.4	7.5	7.5
Beneficiaries	1,707	1,601	1,499	1,447	1,393

E - FEES PAID TO STATUTORY AUDITORS AND THEIR NETWORK

In thousands of euros	Network ERNST&YOUNG Auditors				Network KPMG				Network OTHER AUDITORS			
	2018		2017		2018		2017		2018		2017	
	HT	%	HT	%	HT	%	HT	%	HT	%	HT	%
Legal audit in the strict sense	1,150	94	1,024	96	1,532	95	1,593	95	22	100	22	96
Services necessarily rendered due to local regulations	40	3	3	2	33	2	39	2	-	-	1	4
Services usually provided by the auditors	33	3	38	2	52	3	43	3	-	-	-	-
Legal audit and related services	**1,223**	**100**	**1,065**	**100**	**1,617**	**100**	**1,675**	**100**	**22**	**100**	**23**	**100**
Tax, legal & social consulting	-	-	-	-	1	3	-	-	-	-	-	-
Organization consulting	-	-	-	-	-	-	-	-	-	-	-	-
Other consulting	-	-	-	-	28	97	-	-	-	-	-	-
Authorized services (excluding legal audit) requiring approval	**-**	**-**	**-**	**-**	**29**	**100**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FEES	**1,223**		**1,065**		**1,646**		**1,675**		**22**		**23**	

F - EXTERNAL AUDITORS

KPMG S.A.

Tour Eqho, 2 Avenue Gambetta
92066 Paris La Défense Cedex
Société Anonyme (limited company under French law) listed on the Nanterre Register of Companies under no. 775,726,417
Statutory Auditor, Member, Compagnie Régionale de Versailles
Term of office: six fiscal years
Term expires: Accounting year 2019
Represented at 31 December 2018 by Mr. Valery Foussé

ERNST & YOUNG AUDIT

Tour First, 1/2 Place des Saisons TSA 14444
92037 Paris La Défense Cedex
S.A.S. à capital variable (variable capital simplified joint stock company under French law) listed on the Nanterre Register of Companies under no. 344,366,315 Statutory Auditor, Member, Compagnie Régionale de Versailles
Term of office: six fiscal years
Term expires: Accounting year 2021
Represented at 31 December 2018 by Mr. Luc Valverde

II - BACKGROUND

RCI Banque is the result of the merger on 1st January 1990 between:

- Diac, created in 1924 to finance sales of Renault vehicles in France;
- and Renault Credit International, established in 1974 to finance sales of Renault vehicles in Europe. Under the terms of the agreement of 27 March 1999 between Renault and Nissan, the RCI Banque group acquired Nissan's sales financing subsidiaries in five European countries.
- Those subsidiaries have been consolidated by RCI Banque since 1 July 1999. At 31 December 2002, all shares were held by Compagnie Financière Renault, which in turn was wholly owned by Renault S.A. Compagnie Financière Renault served as the umbrella for all Renault Group finance companies. From 20 June 2003, as a result of its merger with Renault S.A.S., Compagnie Financière Renault stopped being a director and shareholder of RCI Banque and since then, 99.9% of the share capital has been held by Renault S.A.S.

A - DEPENDENCE

RCI Banque provides financing to Renault Group and Nissan sales Dealers and Customers. RCI Banque is not subject to any patents, licenses, industrial supply contracts, commercial or financial sourcing agreements or agreements regarding new manufacturing processes.

B - INVESTMENT POLICY

Main investments and disposals over the last five financial years.

Years	Disposals – dissolutions – mergers	Acquisitions	Creations
2018	**France:** intragroup transfer of CLASS&CO SOFTWARE S.A.S (Yuso) to the subsidiary FLIT TECHNOLOGIES Ltd (Karhoo)	**Canada:** acquisition of ICABBI CANADA, INC **USA:** acquisition of ICABBI USA, INC **Ireland:** acquisition of 78.06% of COOLNAGOUR LTD T/A ICABBI **United Kingdom:** acquisition of COOLNAGOUR UK LTD AND SCT SYSTEMS LTD	**United Kingdom:** creation of RCI SERVICES UK LTD
2017	**Italy:** transfer of OVERLEASE IN LIQUIDAZIONE S.R.L interest (49%)	**France:** acquisition of CLASS&CO S.A.S, MARCEL S.A.S, CLASS&CO SOFTWARE S.A.S (Yuso) **United Kingdom:** acquisition of FLIT TECHNOLOGIES Ltd (Karhoo)	**USA:** creation of KARHOO AMERICAS Inc. **United Kingdom:** creation of KARHOO EUROPE (UK) Ltd and COMO URBAN MOBILITY Ltd
2016	**Brazil:** merger by absorption of COMPANHIA DE CREDITO E INVESTIMENTO RCI BRASIL by BANCO RCI BRASIL S.A. **Portugal:** merger by absorption of RCI GEST INSTITUICAO DE CREDITO S.A by RCI BANQUE S.A.	**United Kingdom:** acquisition of a 24.96% interest in BULB SOFTWARE LTD by RCI BANQUE S.A.	**Portugal:** RCICOM S.A. created **Columbia:** RCI COLOMBIA S.A. COMPANIA DE FINANCIAMIENTO created
2015	**Belgium:** dissolution of RCI FINANCIAL SERVICES LUXEMBOURG, brand of RCI FINANCIAL SERVICES S.A.		**France :** RCI MOBILITY S.A.S. created **United Kingdom:** RCI BANK UK (branch) opened
2014	**France:** merger by absorption of SOGESMA S.A.R.L by DIAC S.A.		

III - STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify, to the best of my knowledge, that the accounts are compiled in accordance with the accounting standards applicable and give a true picture of the assets, financial position and results of the company and of all companies included in the consolidation. The attached management report gives an accurate picture of changes in the business, results and financial position of the company and of all companies included in the consolidation as well as a description of the main risks and uncertainties with which they are faced. The management report included with the present financial report does not contain all of the information required under the Code de commerce (French commercial law). Said information will be included in the management report to be put before the annual general meeting of shareholders.

15 march 2019

The Chairman of the Board of Directors.

Clotilde DELBOS

RCI BANQUE ORGANIZATION CHART 2018

RENAULT S.A.S. 〉 **100%** **RCI BANQUE S.A.**

ALGERIA
- 100% RCI Services Algérie S.A.R.L.

GERMANY
- RCI Banque S.A. Niederlassung Deutschland
- 100% RCI Versicherungs - Service GmbH

ARGENTINA
- RCI Banque Sucursal Argentina
- 60% Rombo Compañía Financiera S.A.
- 95% Courtage S.A.

AUSTRIA
- RCI Banque S.A. Niederlassung Österreich

BELGIUM
- 100% RCI Financial Services S.A.
- 100% Autofin
  - 50.10% Renault Crédit Car (partnership) (Equity method)

BRAZIL
- 99.92% Administradora de Consórcio RCI Brasil Ltda
- 60.11% Banco RCI Brasil S.A.
- 100% Corretora de Seguros RCI Brasil S.A.
- 100% RCI Brasil Serviços e Participações Ltda

CANADA
- iCabbi Canada, Inc(**)

COLUMBIA
- 94.98% RCI Servicios Colombia S.A.
- 51% RCI Colombia S.A. Compañia De Financiamiento

SOUTH KOREA
- 100% RCI Financial Services Korea Co. Ltd
- 100% RCI Insurance Service Korea Co. Ltd

MALTA
- 100% RCI Services Ltd
  - 100% RCI Insurance Ltd
  - 100% RCI Life Ltd

MOROCCO
- 100% RCI Finance Maroc S.A.
  - 100% RDFM S.A.R.L.

NETHERLANDS
- 100% RCI Financial Services B.V.
- 50% RN SF B.V.(****) (Equity method)
  - 60% BARN B.V.(****) (Equity method)

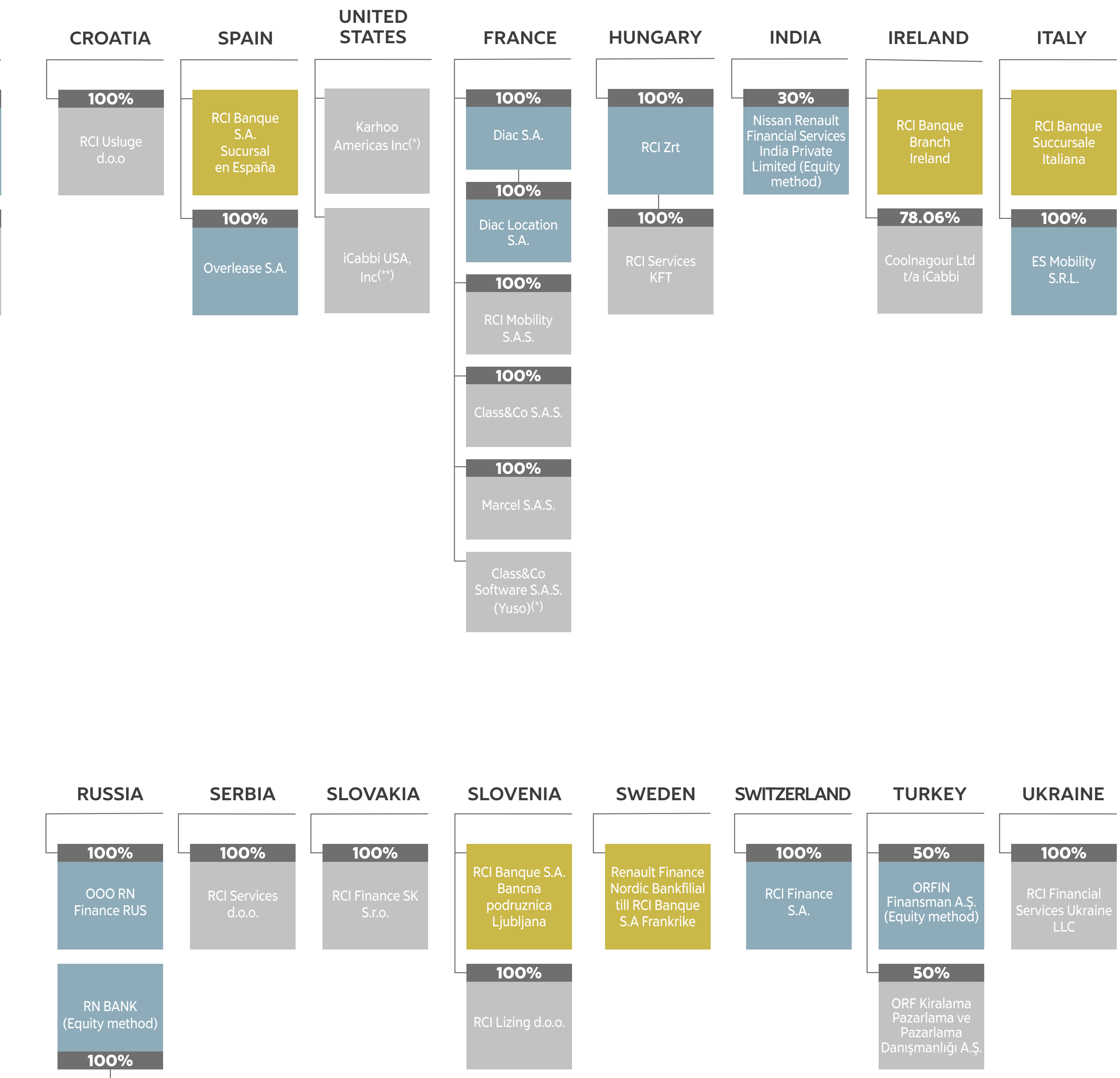
POLAND
- RCI Banque SPOLKA AKCYJNA W POLSCE
- 100% RCI Leasing Polska Sp. z.o.o.

PORTUGAL
- RCI Banque Sucursal Portugal
- 100% RCICOM S.A.
  - 100% RCI Gest Seguros Mediadores de Seguros L.d.a

CZECH REPUBLIC
- 50% RCI Financial Services S.r.o.
- 100% RCI Finance C.Z. S.r.o.

ROMANIA
- 100% RCI Leasing Romania IFN S.A.
- 100% RCI Finantare Romania S.R.L.
  - 100% RCI Broker de asigurare S.R.L.

UNITED KINGDOM
- RCI Bank UK
- 100% RCI Financial Services Ltd
- 100% RCI Services UK Ltd
- 70% Flit Technologies Ltd(***)
  - 100% Karhoo Europe (UK) Ltd
- 50% Como Urban Mobility Ltd
- Coolnagour UK Ltd(**)
- SCT Systems Ltd(**)



Subsidiary Branch Non-consolidated subsidiary

(*) fully owned by Flit Technologies Ltd (United-Kingdom).
(**) fully owned by Coolnagour Limited t/a iCabbi (Ireland).
(***) owned directly by RCI Banque for 57,44%, and indirectly through Class&Co S.A.S for 12,64%.
(****) Organization of the activity in Russia.

CHANGES IN 2018
Canada: Acquisition of iCabbi Canada, Inc
Ireland: Acquisition of Coolnagour Ltd t/a iCabbi
United-Kingdom: Acquisition of Coolnagour UK Ltd, SCT Systems Ltd and creation of RCI Services UK Ltd
United-States: Acquisition of iCabbi USA, Inc

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DOCUMENTS AVAILABLE TO THE PUBLIC

This document is available on the RCI Banque website www.rcibs.com.

In accordance with Article L225-102-1 of the French Commercial Code (Code de Commerce), information on the social and environmental consequences of the Company's activities is covered by a consolidated statement on extra-financial performance of Renault S.A, the Group's parent company.

Anyone wishing for further information about the RCI Banque group may, without obligation, request documents:

RCI Banque
Direction Financement et Trésorerie
FR UZS 000 015
15 rue d'Uzès
75002 Paris - France

BANK
AND
SERVICES

RCI Banque - S.A. with share capital of €100,000,000
Registered office: 15 rue d'Uzès - 75002 Paris
Siren 306 523 358 RCS Paris
www.rcibs.com