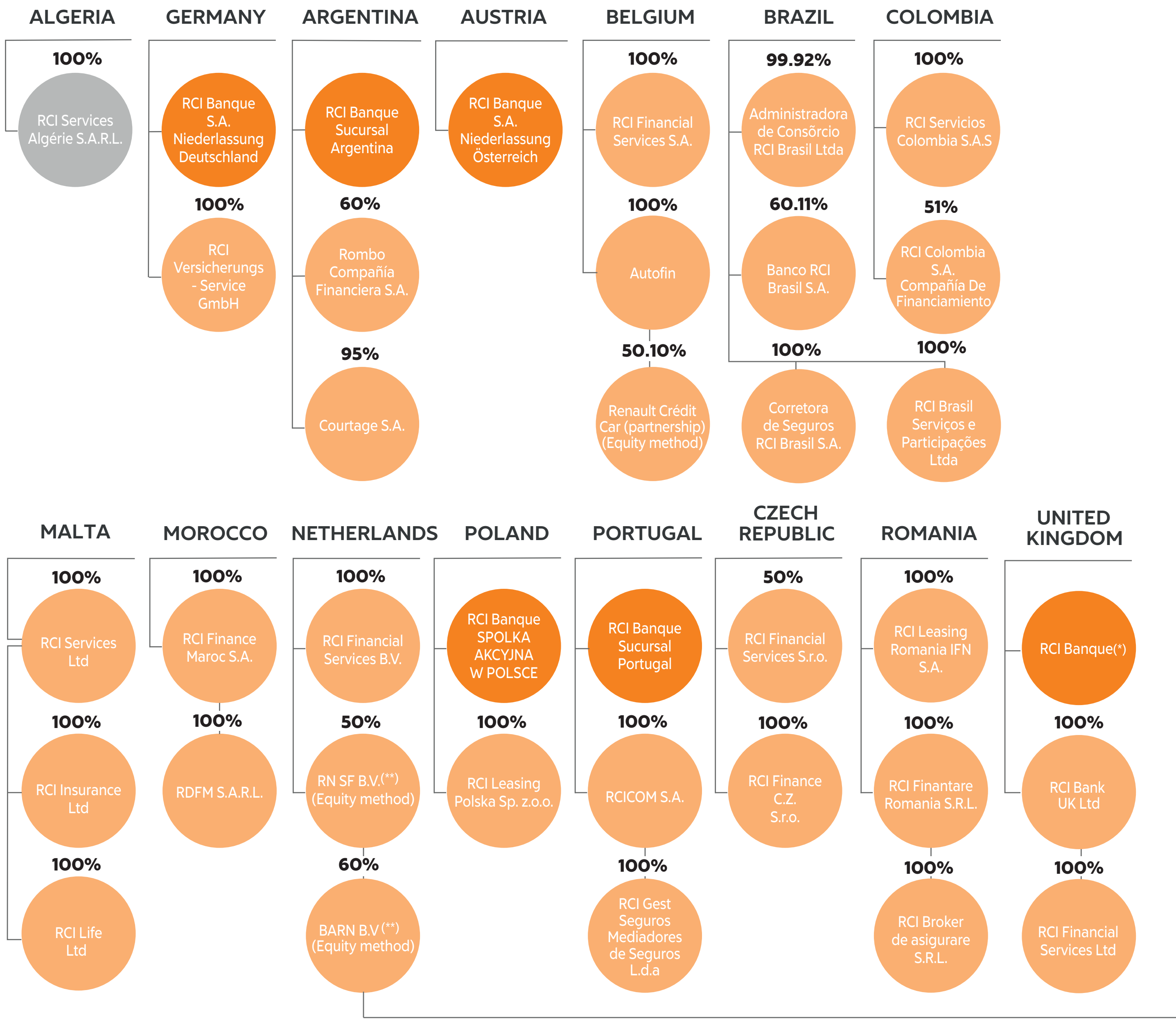
RCI BANK AND SERVICES

2019 ANNUAL REPORT

THE FINANCIAL REPORTS

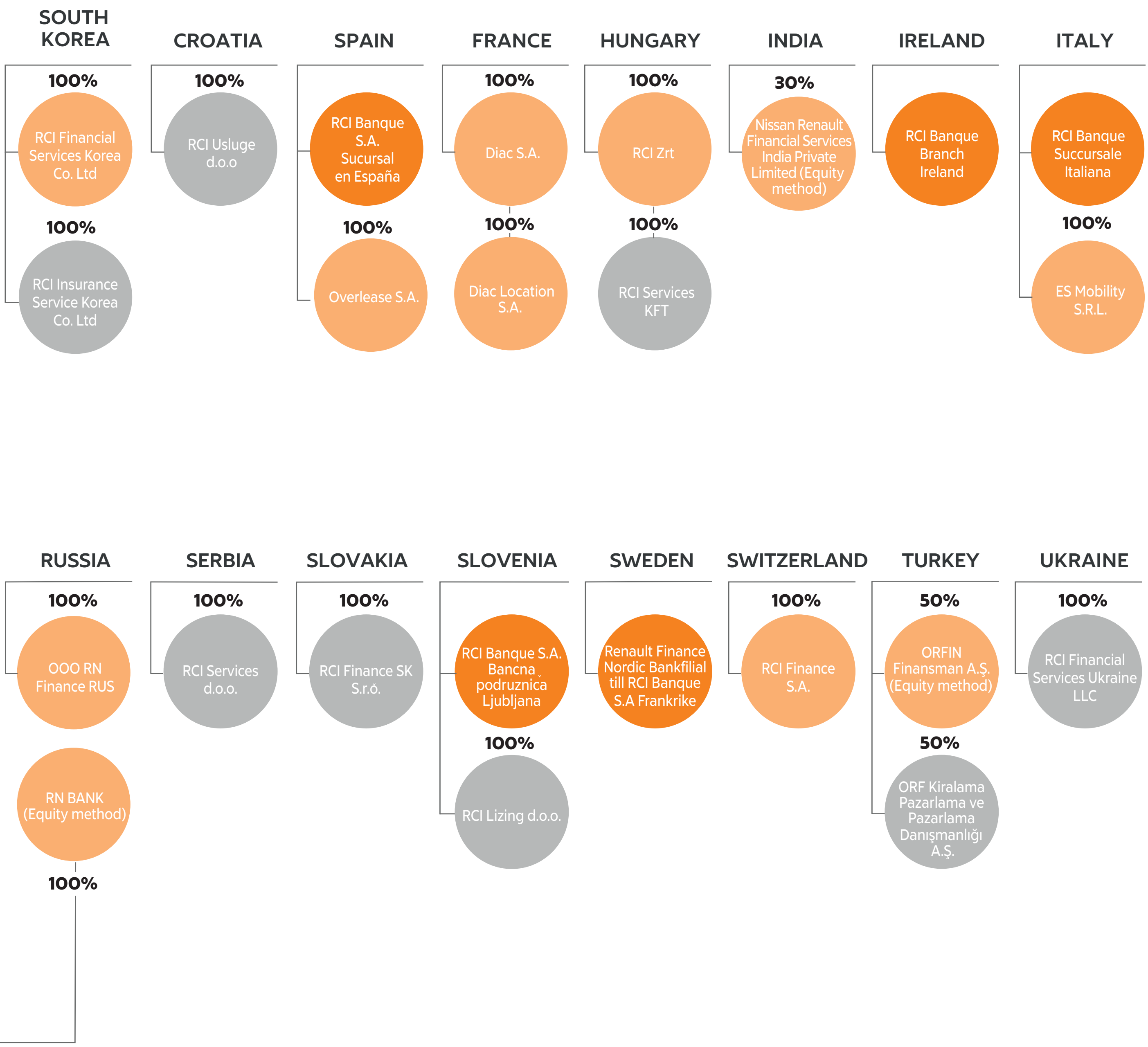
RCI BANQUE ORGANIZATION CHART 2019

RENAULT S.A.S. 〉 **100% RCI BANQUE S.A.**



Subsidiary · Branch · Non-consolidated subsidiary

(*) Closed on 6 march 2020.
(**) Organization of the activity in Russia.


SOUTH KOREA
100%
RCI Financial Services Korea Co. Ltd
100%
RCI Insurance Service Korea Co. Ltd
CROATIA
100%
RCI Usluge d.o.o
SPAIN
RCI Banque S.A. Sucursal en España
100%
Overlease S.A.
FRANCE
100%
Diac S.A.
100%
Diac Location S.A.
HUNGARY
100%
RCI Zrt
100%
RCI Services KFT
INDIA
30%
Nissan Renault Financial Services India Private Limited (Equity method)
IRELAND
RCI Banque Branch Ireland
ITALY
RCI Banque Succursale Italiana
100%
ES Mobility S.R.L.
RUSSIA
100%
OOO RN Finance RUS
RN BANK (Equity method)
100%
SERBIA
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RCI Services d.o.o.
SLOVAKIA
100%
RCI Finance SK S.r.o.
SLOVENIA
RCI Banque S.A. Bancna podruznica Ljubljana
100%
RCI Lizing d.o.o.
SWEDEN
Renault Finance Nordic Bankfilial till RCI Banque S.A Frankrike
SWITZERLAND
100%
RCI Finance S.A.
TURKEY
50%
ORFIN Finansman A.Ş. (Equity method)
50%
ORF Kiralama Pazarlama ve Pazarlama Danışmanlığı A.Ş.
UKRAINE
100%
RCI Financial Services Ukraine LLC

The financial reports are part of the 2019 Annual Report, of which the magazine section can be viewed on the following link: **www.annualreport2019.rcibs.com**.

2019 ANNUAL REPORT
THE FINANCIAL REPORTS

RCI BANK AND SERVICES' ADDED VALUE IS MUCH MORE THAN ONLY FINANCIAL FOR GROUPE RENAULT AND MORE GENERALLY FOR THE ALLIANCE.

MESSAGE FROM **CLOTILDE DELBOS**

ACTING CHIEF EXECUTIVE OFFICER OF RENAULT SA, CHIEF FINANCIAL OFFICER OF GROUPE RENAULT AND CHAIRMAN OF THE BOARD OF DIRECTORS OF RCI BANK AND SERVICES

With the global car market down -4.8%, RCI Bank and Services has demonstrated its robustness and its ability to adapt by achieving new records in terms of sales and financial performance. With a pre-tax income of €1,327 million, RCI Bank and Services has confirmed its important contribution to the Groupe Renault's results.

RCI Bank and Services' added value is much more than only financial for Groupe Renault and more generally for the Alliance. Its financing packages and personalized services allow carmakers to attract new customers and foster even greater loyalty.

RCI Bank and Services also ensures a high level of customer satisfaction. Statistics show that Groupe Renault customers who recommend their dealership are mainly those who took out financing offers of RCI Bank and Services. Lastly, the company is a key partner for the Groupe Renault network, financing its activities and also supporting it by offering digital services such as online signature. This is a virtuous circle and we need to continue in this direction over the months and years ahead.

Particularly as 2020 represents major challenges. The European car market, which is RCI Bank and Services' main market, will be particularly challenging.

The implementation of CAFE standards in Europe will also push carmakers to add electric vehicles to their ranges in order to respect CO_2 emissions targets. RCI Bank and Services needs to support them in their sales mix evolution by offering financing packages ensuring that the lowest-emission engines are attractive to customers.

I have every confidence in all the teams at RCI Bank and Services to: adapt to the markets and increasingly stringent regulations; transform by adopting increasingly agile new organizational structures and new processes; innovate and extend our range of products and services while also remaining exemplary in every sense.

INTERVIEW WITH **JOÃO LEANDRO**
CEO OF RCI BANK AND SERVICES

THE LOYALTY AND ENGAGEMENT OF OUR 3,700 EMPLOYEES ARE GREAT ASSETS FOR OUR COMPANY. THIS IS REFLECTING IN OUR STRONG RESULTS, 2019 BEING A NEW RECORD YEAR.

You joined RCI Bank and Services at the beginning of September 2019. What are your first impressions about the company?

First of all, let me say that I am very proud to be the CEO of RCI Bank and Services. Our company really is a strong asset for the Alliance brands but is also a benchmark on the market.

During the last few months I had the chance to meet very motivated and dynamic teams with a lot of experience and expertise.

But what struck me most during the last few months was the great sense of belonging to the company that everybody shared. This includes people that have been working in RCI Bank and Services for 20 to 30 years that are able to transmit to the new arrivals this sense of loyalty and engagement that is really a great asset to our company.

And I suppose this is really reflected in the strong results that we have in 2019.

TO MEET OUR CUSTOMERS NEW USAGES, WE CONTINUED THE DIGITALIZATION OF OUR FINANCING OFFERS IN 2019.

Speaking of annual results, what is your take on the 2019 RCI Bank and Services performance?

Well, despite the downturn in the automotive sector RCI Bank and Services managed to stabilize the volume of financing contracts in 2019 with around 1.8 million new contracts for a total of more than 21 billion euros of new financings.

We also set a new penetration rate record of 44.2% and improved our commercial performance in all our Regions for the Alliance brands.

We had over 5 million services sold and this really confirmed the relevance of our diversification strategy.

So, thanks to these remarkable commercial results we realized one of the best financial performances ever with a net income of 937 million euros.

What initiatives did RCI Bank and Services take to improve customer experience in 2019?

To meet our customers' new usages we continued the digitalization of our financing offers.

For example, in June 2019 we supported the launch of the newest crossover Renault ARKANA in Russia by creating a special loan offer with a 100% online purchasing process.

We also supported the launch of Dacia Online Shop in Germany where customers can now purchase and finance a Dacia in a few clicks.

Developing such a seamless journey is really key to improve customer satisfaction and loyalty and we also achieved a lot on this matter.

As a measure of customer satisfaction our Net Promoter Score has reached a high level today and it has improved by more than 12 points since 2016.

And if we're looking at the global levels of customer satisfaction we have improved as well: more than 8 customers out of 10 say that they are very or extremely satisfied with the level of service we provide in all subsidiaries.

What are the main priorities for RCI Bank and Services in 2020?

The first priority for our company in 2020 really is to show more than ever our support to the Alliance brands in a market that should continue to slow down.

We need to focus on developing an even more customer centric business model, on enlarging our products and services and improving our time to market while targeting an omnichannel approach.

And last but not least, we need to have the right managers and leaders that empower their teams to innovate and take initiatives.

PERFORMANCE

The group pursued its growth thanks to successful integration in the sales policies of the Alliance's brands and the successful diversification of its activities.

2019, A NEW RECORD YEAR FOR RCI BANK AND SERVICES

WORLDWIDE

3,700
EMPLOYEES

9
BRANDS

36
COUNTRIES

FINANCING

1.8
MILLION
NEW FINANCING CONTRACTS
stable vs. 2018

21.4
BILLION EUROS
IN NEW FINANCING CONTRACTS
+2,.3% vs. 2018

44.2%
OF REGISTRATIONS FINANCED

368
THOUSAND
USED VEHICLE FINANCING CONTRACTS
+3.7% vs. 2018

SERVICES

5.1 MILLION
SERVICE CONTRACTS SOLD
+5.2% vs. 2018

1.5
SERVICES SOLD PER VEHICLE
+0.1 pt. vs. 2018

FINANCIAL PERFORMANCE

47.4
BILLION EUROS
IN AVERAGE PERFORMING ASSETS
+6.8% vs. 2018

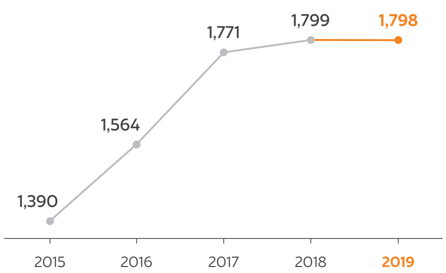
1,327
MILLION EUROS
IN PRE-TAX INCOME
+9.2% vs. 2018

2.1
BILLION EUROS
IN NET BANKING INCOME
+8.6% vs. 2018

KEY INDICATORS AT THEIR HIGHEST LEVEL DESPITE A DECLINING AUTOMOTIVE MARKET

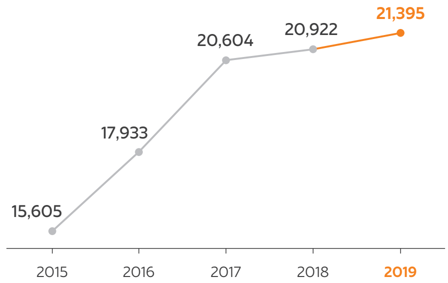
TOTAL NUMBER OF VEHICLE CONTRACTS

(in thousands)



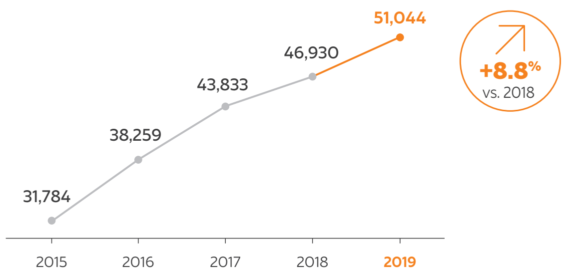
NEW FINANCINGS

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



NET ASSETS AT END 2019[1]

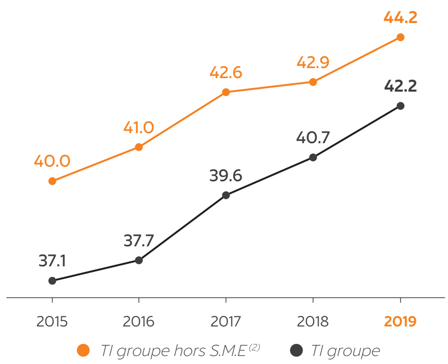
(€ million)



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

FINANCING PENETRATION RATE

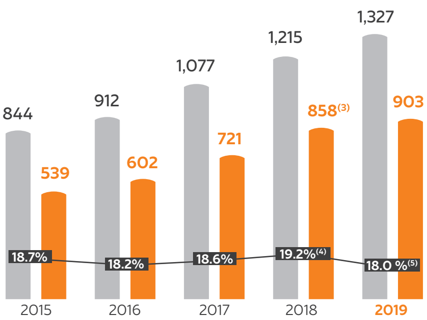
(percentage of registrations)



(2) EAC: Equity-accounted Company (Turkey, Russia, India)

RESULTS

(€ million)



Pre-tax income
Return On Equity
After-tax income (parent company shareholder's share)

(3) Income after tax was impacted by deferred taxes of 47 million euros at the end of 2018.

(4) Excluding the impact of deferred taxes, ROE stood at 18.1% in 2018.

(5) Excluding the impact of start-ups, ROE stood at 17.6% in 2019 compared to 19.8% in 2018.

BUSINESS ACTIVITY

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

	Financing penetration rate RCI Banque *(%)*		New vehicle contracts *(thousands)*		New financings excl. credit cards and personal loans *(€m)*		Net assets at year end[2] *(€m)*	
PC + LCV market[1]	2019	2018	2019	2018	2019	2018	2019	2018
EUROPE	**45.4%**	44.9%	**1,342**	1,350	**17,898**	17,698	**45,413**	41,832
of which Germany	**44.3%**	43.7%	**188**	185	**2,902**	2,785	**8,418**	7,472
of which Spain	**52.6%**	54.6%	**154**	166	**1,842**	2,002	**4,797**	4,464
of which France	**49.3%**	47.5%	**490**	472	**6,363**	6,030	**15,579**	14,324
of which Italy	**65.7%**	63.4%	**210**	203	**3,030**	2,871	**6,297**	5,821
of which United Kingdom	**29.3%**	33.6%	**106**	123	**1,589**	1,804	**4,781**	4,680
o/w other countries	**32.2%**	31.9%	**194**	201	**2,172**	2,206	**5,541**	5,071
AFRICA - MIDDLE-EAST - INDIA AND PACIFIC	**40.9%**	37.3%	**119**	121	**1,240**	1,236	**2,168**	2,071
AMERICAS	**38.0%**	35.0%	**208**	202	**1,688**	1,464	**3,145**	2,769
of which Argentina	**21.0%**	23.1%	**20**	38	**74**	143	**189**	314
of which Brazil	**39.4%**	38.3%	**156**	139	**1,331**	1,103	**2,470**	2,112
of which Colombia	**53.8%**	47.5%	**33**	25	**282**	217	**486**	343
EURASIA	**29.7%**	27.0%	**128**	127	**569**	523	**318**	258
TOTAL GROUPE	**42.2%**	**40.7%**	**1,798**	**1,799**	**21,395**	**20,922**	**51,044**	**46,930**

(1) Figures refer to passenger car (PC) and light commercial vehicle (LCV) markets.
(2) Net assets at year-end: net total outstandings + operational lease transactions net of depreciation and impairment.
Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using equity method.

of which customer net assets at year-end *(€m)*		of which dealer network net assets at year-end *(€m)*		Average performing assets *(€m)*		Net banking income *(€m)*		Pre-tax income *(€m)*	
2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
34,488	31,668	**10,925**	10,164	**42,286**	39,860	**1,740**	1,621	**1,095**	1,015
6,805	6,097	**1,613**	1,375	**7,850**	7,098	**271**	247	**197**	175
3,762	3,637	**1,035**	827	**4,515**	4,253	**145**	143	**88**	98
11,788	10,664	**3,791**	3,660	**14,421**	13,491	**434**	419	**228**	209
4,946	4,450	**1,351**	1,371	**5,822**	5,391	**179**	148	**106**	102
3,800	3,780	**981**	900	**4,758**	4,963	**142**	151	**102**	85
3,387	3,040	**2,154**	2,031	**4,919**	4,665	**570**	512	**374**	345
2,036	1,948	**132**	123	**2,009**	1,935	**95**	92	**60**	55
2,572	2,182	**573**	587	**2,844**	2,407	**239**	201	**139**	118
97	185	**92**	129	**158**	268	**49**	44	**28**	19
2,038	1,699	**432**	413	**2,270**	1,838	**160**	133	**94**	86
437	298	**49**	45	**416**	301	**31**	25	**17**	12
303	245	**15**	13	**271**	201	**22**	17	**33**	26
39,399	**36,043**	**11,645**	**10,887**	**47,410**	**44,402**	**2,096**	**1,930**	**1,327**	**1,214**

CHAPTER

1

FINANCIAL POLICY

Over the course of 2019, the central banks announced more accommodating monetary policy measures than anticipated by the markets at the beginning of the year.

In the United States, the Federal Reserve reduced its key interest rates three times, thereby taking the Fed Funds target to between 1.50% and 1.75%.

The European Central Bank restarted its asset purchasing program, which it had ended in 2018, at a monthly pace of €20 billion. It also announced a new long-term refinancing operation (TLTRO III[1]). Furthermore, it reduced the rate on its deposit facility by 0.10% to -0.50% and introduced a two-tier system for remunerating excess reserve holdings with a view to reducing the share of deposits in the banking system carrying negative rates.

The Bank of England's base rate remained unchanged throughout the year at 0.75%.

The central bank's change in tone regarding monetary policies had an impact on investor perception of risk and drove the rise in the equity markets[2] and the tightening of credit spreads[3].

Eurozone rates continued to fall until early September, before a partial upturn towards the end of the year. Following a historic low in September of -0.54%, the 5-year swap rate ended the year at -0.10%, 30 bps lower than in December 2018.

RCI Banque issued the equivalent of €2.9 billion in senior public bond format. The group successively launched five and a half years rate issue for €750 million, a dual-tranche issue for €1.4 billion (€750 million on a fixed rate over four years, €650 million on a fixed rate over seven years), and €600 million at a fixed rate over three and a half years. At the same time, the company issued a five-year fixed rate CHF200 million bond, a transaction that enabled it to both diversify its investor base and fund assets in that currency.

In addition, RCI Banque issued a Tier 2 subordinated bond in the amount of €850 million. This 10-year contractual maturity bond can be redeemed after 5 years and strengthens the capital ratio.

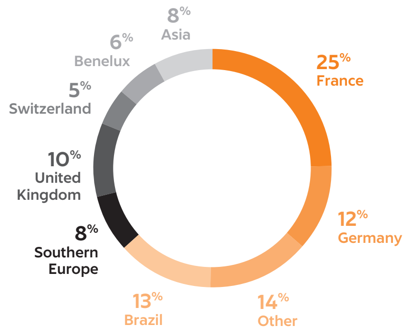
On the secured funding segment, RCI Banque issued a public securitization backed by car loans in Germany for €975.7 million, split between €950 million of senior securities and €25.7 million of subordinated securities.

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

Retail customer deposits have increased by €1.8 billion since December 2018 and totaled €17.7 billion at 31 December 2019, representing 35% of net assets at the end of December.

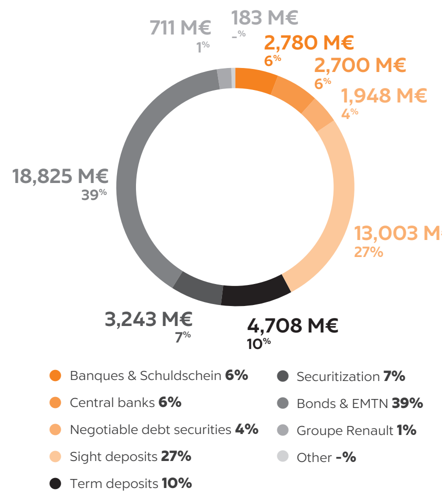
GEOGRAPHICAL BREAKDOWN OF NEW RESOURCES WITH A MATURITY OF ONE YEAR OR MORE (EXCLUDING DEPOSITS AND TLTRO)

as at 31/12/2019



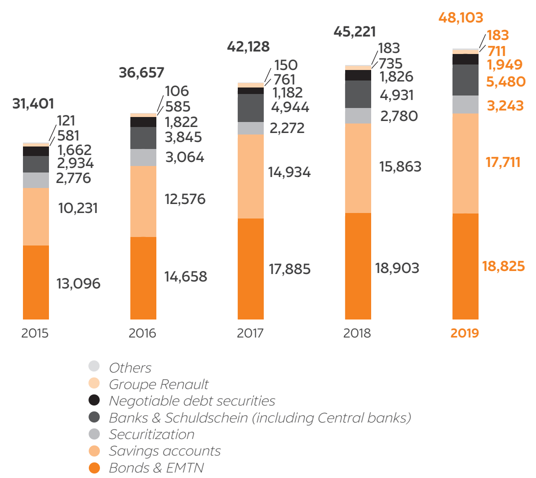
STRUCTURE OF TOTAL DEBT

as at 31/12/2019



CHANGES IN THE STRUCTURE OF TOTAL DEBT

(in millions of euros) at 31/12/2019

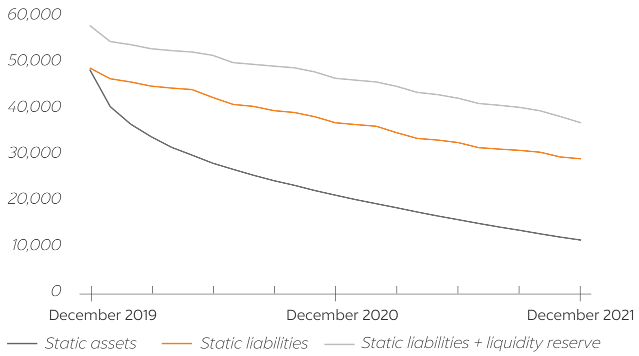


(1) *Targeted Longer-Term Refinancing Operations.*

(2) *Euro Stoxx 50 +24%.*

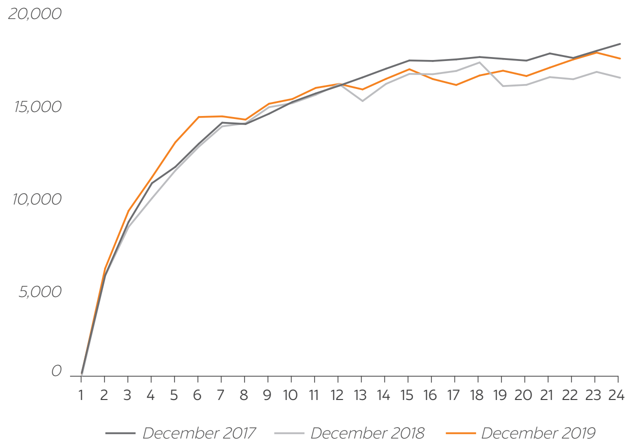
(3) *Iboxx Eur Non Financials -39 bps.*

STATIC LIQUIDITY POSITION[1]
(in million euros)



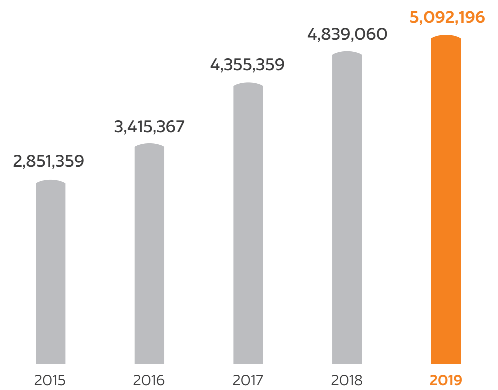
Static assets: Assets runoff over time assuming no renewal.
Static liabilities: Liabilities runoff over time assuming no renewal.
(1) Scope: Europe.

STATIC LIQUIDITY GAP[1] *(in millions of euros)*
at 31/12/2019

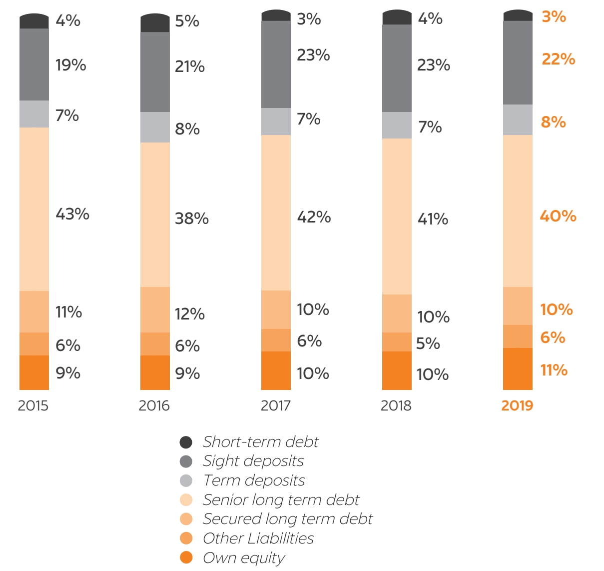


(1) Scope: Europe.

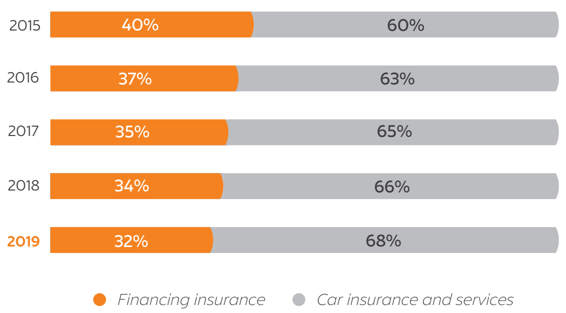
SERVICE CONTRACTS *(in number)*
at 31/12/2019



BREAKDOWN OF LIABILITIES
at 31/12/2019



SERVICE MIX *(as a %)*
at 31/12/2019



These resources, to which should be added, based on the European scope, to €4.5 billion of undrawn committed credit lines, €2.4 billion of assets eligible as collateral in ECB monetary policy operations, €2.2 billion in highly quality liquid assets (HQLA) as well as financial assets amounting to €0.5 billion, enable RCI Banque to maintain the financing granted to its customers over nearly 12 months without access to external liquidity.

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

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

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

At 31 December 2019, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

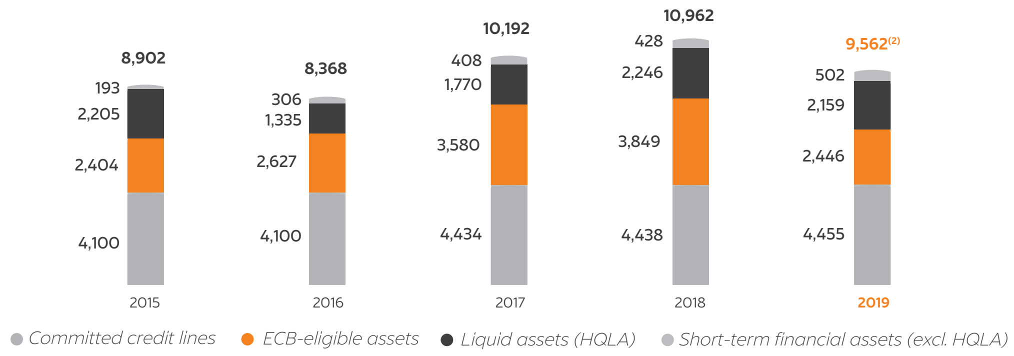
- -€1.0 m in EUR;
- -€0.5 m in BRL;
- +€0.5 m in KRW;
- +€0.9 m in GBP;
- +€0.2 m in PLN;
- -€0.2 m in CZK;
- -€0.8 m in CHF.

The absolute sensitivity values in each currency totaled €4.5m.

The groupe RCI Banque's consolidated[1] foreign exchange position totaled €6.3 million.

LIQUIDITY RESERVE[1]

(in millions of euros)



(1) *Scope: Europe.*
(2) *The liquidity reserve is calibrated to achieve the internal business continuity target in a stress scenario. Lower level in December 2019 reflects a lower level of bond redemptions for the following year (bond repayments respectively €1.8 billion in 2020 and €2.8 billion in 2019).*

RCI Banque group's programs and issuances

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

Issuer	Instrument	Market	Amount	S & P	Moody's	Other
RCI Banque S.A.	Euro CP Program	euro	€2,000 m	**A-2** (negative outlook)	**P2**	**R&I: A-1** (stable outlook)
RCI Banque S.A.	Euro MTN Program	euro	€23,000 m	**BBB** (negative outlook)	**Baa1** (stable outlook)	**R&I: A-** (stable outlook)
RCI Banque S.A.	NEU CP[1] Program	French	€4,500 m	**A-2** (negative outlook)	**P2**	
RCI Banque S.A.	NEU MTN[2] Program	French	€2,000 m	**BBB** (negative outlook)	**Baa1** (stable outlook)	
Diac S.A.	NEU CP[1] Program	French	€1,000 m	**A-2** (negative outlook)		
Diac S.A.	NEU MTN[2] Program	French	€1,500 m	**BBB** (negative outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000 m		**Ba2.ar** (under revision)	Fix Scr: **AA (arg)** (negative outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,610 bn[3]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,303 m[3]		**Aaa.br** (stable outlook)	
RCI Finance Maroc	BSF Program	Morrocan	MAD2,500 m			
RCI Leasing Polska	Bond Program	Polish	PLN500 m			
RCI Colombia S.A. Compañia de Financiamiento	CDT: Certificado de Depósito a Término	Colombian	COP630 bn[3]	**AAA.co**		

(1) *Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.*
(2) *Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.*
(3) *Outstandings.*

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

CHAPTER 2

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 2019 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.

João Miguel Leandro	Clotilde Delbos
Chief Executive Officer	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 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.

2.1 SUMMARY OF RISKS

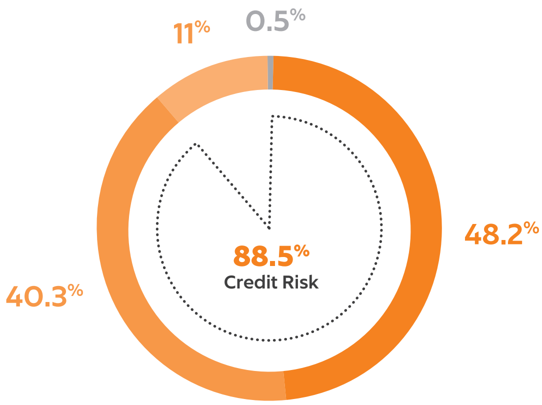
2.1.1 KEY FIGURES

Prudential ratios and ROA

Prudential Ratios	
CET1 Phased-in Solvency Ratio	14.41%
Phased-in Leverage Ratio	8.40%
LCR - Arithmetic Average of the past three months	247%
ROA - RETURN ON ASSETS(1)	**1.6%**

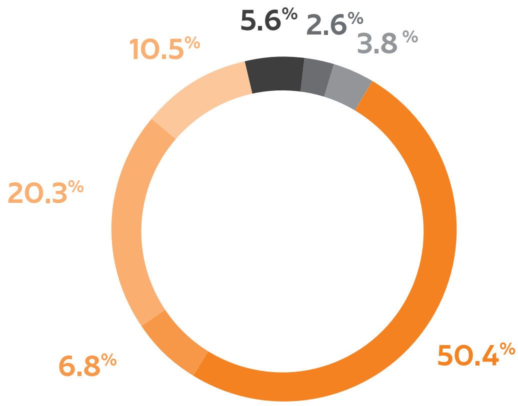
(1) Return on assets calculated by dividing net profit by the balance sheet total (CRD IV, Article 90).

Own funds requirements by type of risk



- Credit Risk (Internal Ratings Based Approach) **48.2%**
- Credit Risk (Standard Approach) **40.3%**
- Operational Risk **11.0%**
- Credit Valuation Adjustment Risk **0.5%**
- Market Risk **0.0%**

Exposure by exposure class



- Retail **50.4%**
- Retail SME **6.8%**
- Corporates **20.3%**
- Corporates SME **10.5%**
- Central Governments or Central Banks **5.6%**
- Institutions **2.6%**
- Other non-credit obligation assets **3.8%**
- Equity **0.0%**

2.1.2 RISK FACTORS

The identification and monitoring of risks is an integral part of RCI Banque's approach to risk management. This approach may be observed through risk-weighted asset levels, but also through other indicators, work and analyses conducted by the group's steering and risks functions.

In light of the diversity of the group's business, the management of risks is built around the following major risk types.

- **Interest rate risks and foreign exchange risks**: risk of a drop in interest rate margin or in the value of the banking portfolio owing to a change in interest rates or foreign exchange rates.
- **Liquidity and funding cost risk**: liquidity risk occurs when RCI Banque is unable to honor its commitments or cannot finance the development of its business in line with its commercial objectives. Funding cost risk corresponds to the risk of RCI Banque not being in a position to finance its activities at a cost that is competitive.
- **Credit risk (Retail customers and Dealer networks)**: risk of losses resulting from customers' inability to meet their financial commitments.
- **Residual value risk**: risk to which the group is exposed as a result of the depreciation in the net resale value of a vehicle at the end of the financing contract (value below initial estimate).
- **Strategic risk**: risk resulting from the group's inability to implement its strategy and achieve its medium-term plan.
- **Concentration risk**: risk resulting from a concentration in RCI Banque's exposures (countries, sectors, debtors).
- **Operational risks**: risk of losses or sanctions resulting from ineffective or inadequate internal processes involving staff and/or IT systems (IT risks), or external events, whether deliberate, accidental or natural (Business interruption).
- **Non-compliance risks**: risk of legal, administrative or disciplinary sanctions, of significant financial loss or reputational damage, arising due to non-compliance with provisions specific to banking and financial activities (laws and regulations in force, ethics codes, national, European and international banking regulations). These risks include legal and conduct risks, tax risks, risks relating to money-laundering and the financing of terrorism (AML-CFT), risks associated with the protection of personal data, and risks of non-compliance with banking regulations.
- **Model risk**: risk associated with a failure in the models used by the group in the course of its business. This notably relates to the use of inadequate price calculation, revaluation, hedging or risk management models. Failure of such models may be due to either the quality of the data used, the modeling technique or the implementation or use thereof.

The various risk types presented above are those identified at this time as being the most significant and typical for RCI Banque, and the materialization of which could have a major adverse effect on its operations, financial position, and/or performance. This is not an exhaustive list of the risks undertaken by the group as part of its activities or in consideration of its environment.

2.2 GOVERNANCE AND ORGANIZATION PRINCIPLES OF RISK MANAGEMENT

2.2.1 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 Officer and forms an integral part of the plan submitted to the Board of Directors 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.

2.2.2 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 Officer, is responsible 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 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, notably via the Internal Control, Operational Risk and Ethics & Compliance Commitee ;
- 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 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 main 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 rules 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, assessed annually by the process owners and is controlled by the first and second lines of defense;
- 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 Executive Committee, Board of Directors, 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 the shareholding company.

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.

II-1 POSITIONS HELD BY THE MEMBERS OF RCI BANQUE'S BOARD OF DIRECTORS

Board of Directors at 31 December 2019

	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 3 executive positions	1 non-executive position
Phlippe BUROS	Director of the Board	4 non-executive positions	
Laurent DAVID	Director of the Board		-
Isabelle MAURY	Director of the Board		2 executive positions 1 non-executive position
Isabelle LANDROT	Director of the Board	3 non-executive positions 1 executive positions	-
João Miguel LEANDRO	Chief Executive Officer	6 non-executive positions	

Other members of the management body in its executive function at 31 December 2019

	Position held in RCI Banque S.A.	Number of other positions held inside Renault Group	Number of other positions held outside Renault Group
François GUIONNET	Deputy Chief Executive Officer and Chief of Territories and Performance division	7 non-executive positions	1 executive position
Jean-Marc SAUGIER	Deputy Chief Executive Officer and Chief of Finance and Treasury division	4 non-executive positions	1 executive position

At 31 December 2019, RCI Banque's Board of Directors had five 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 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, Deputies Chief Executive Officers, Chief Risk Officer and Chief Compliance Officer.

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.

As of 31 December 2019, 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 João Miguel Leandro, Chief Executive Officer, François Guionnet, Deputy Chief Executive Officer and V.P. Territories and Performance division, and Jean-Marc Saugier, Deputy Chief Executive Officer and V.P. Finance and Treasury.

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 Deputies Chief Executive Officers hold, 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 Capital and Liquidity Committee which steers the funding plan and ensures that the group's solvency level enables it to ensure its development while meeting the expectations of the various stakeholders (regulators, rating agencies, investors, shareholder) and maintaining good resilience to stress scenarios;
- 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 Risk and Ethics & 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.

2.2.3 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 adequate 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) a necessary security margin regarding prudential requirements, to reflect RCI high levels of profitability and capacity to adapt dividend paid to the single shareholder,

b) 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 six months' business continuity has been set for centrally funded subsidiaries (three months for locally funded subsidiaries), with the associated alert thresholds set considerably over 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 €50 million if interest rate variation exceeds 100 basis points (parallel shift of the yield curve) or a rotation of more than 50 basis points around two 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.

2.2.4 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 2019 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.

2.2.5 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 two times in 2019. As at 31 December 2019, the members of the Remuneration Committee were C. Delbos, P. Buros 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, the actions dashboard 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 2019, 87 individuals had significant impact on the risk profile. Their fixed pay for 2019 came to a total of €10,687,370. Their variable pay for 2019 totaled €2,819,668, representing 26.38% of total fixed salary, and to 20.88% 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.

According to the type of position, this remunerations breaks down as follows:

- Executive Committee: total fixed remuneration = €1,466,609; total variable remuneration = €497,899;
- controls functions: total fixed remuneration = €931,671; total variable remuneration = €129,984;
- corporate functions excluding Executive Committee and control: total fixed remuneration = €1,347,665; total variable remuneration = €528,300;
- other positions: total fixed remuneration = €6,941,425; total variable remuneration = €1,663,485.

In 2019, the members of RCI Banque's Board of Directors did not receive remuneration for their duties.

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

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;

- depending on the amount of variable remuneration for which the beneficiary is eligible, the following rules shall apply:
  - from €50,001 to €83,300: the amount of variable remuneration over and above €50,000 to which the beneficiary is entitled shall be deferred over a three-year period,
  - over €83,300: 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 three 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 three years of deferred is 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 2019, 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, spread over 2018, 2019 and 2020. Of that total, amounts that could be paid in 2018 and 2019 conditional on confirmation were paid in full and represent a sub-total of €208,678. The amount that remain deferred for the 2016 financial year for 2020 is €104,339;
- for the 2017 financial year, amounts determined in 2018 represented a total deferred of €453,194, spread over 2019, 2020 and 2021. Of that total, amounts that could be paid in 2019 conditional on confirmation were paid in full and represent a sub-total of €151,065. The amount that remain deferred for the 2017 financial year for 2020 and 2021 is €302,129;
- for the 2018 financial year, amounts determined in 2019 represented a total deferred of €511,589, spread over 2020, 2021 and 2022;
- thus, at end 2019, for the whole of the 2016, 2017 and 2018 financial years, amounts deferred for 2020 to 2022 represent a total of €918,057.

During the 2019 financial year, among the people whose work has a significant impact on RCI Banque's risk profile, two persons benefitted from a golden hello, for a total amount of €70,000.

Additionally, of the people whose work has a significant impact on RCI Banque's risk profile, one people received a golden handshake in 2019, for an amount of €478,461.

2.3 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

2.3.1 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.

III-1 LI1 - DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

			Carrying values of items subject to :				
In millions of euros	Carrying values in published financial statements	Carrying values under scope of regulatory	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	1,527	1,527	1,527				
Derivatives	177	177		177			
Financial assets at fair value through other comprehensive income	1,364	1,180	1,180				
Financial assets at fair value through profit or loss	105	105	105				
Financial assets at amortised cost							
Amounts receivable from credit institutions	1,279	1,250	1,250				
Loans and advances to customers	50,582	50,748	50,808				(60)
Held-to-maturity financial assets							
Current tax assets	261	16	16				
Deferred tax assets	171	131	10				121
Adjustment accounts & miscellaneous assets	1,069	1,105	1,105				
Non-current assets held for sale							
Investments in associates and joint ventures	142	217	217				
Operating lease transactions	1,227	1,227	1,227				
Tangible and intangible non-current assets	92	92	85				6
Goodwill	84	84					84
TOTAL ASSETS	**58,080**	**57,859**	**57,530**	**177**			**152**

In millions of euros	Carrying values in published financial statements	Carrying values under scope of regulatory	Carrying values of items subject to : Credit risk framework	Counterparty credit risk framework	Securitisation framework	Market risk framework	Not subject or deduction from capital
Liabilities							
Central Banks	2,700	2,700					2,700
Derivatives	92	92		4			88
Financial liabilities at fair value through profit or loss							
Amounts payable to credit institutions	2,780	2,780					2,780
Amounts payable to customers	18,605	19,029	21				19,008
Debt securities	24,016	24,016					24,016
Current tax liabilities	162	70					70
Deferred tax liabilities	588	587					587
Adjustment accounts & miscellaneous liabilities	1,895	1,827					1,827
Non-current liabilities held for sale							
Provisions	185	186					186
Insurance technical provisions	488						
Subordinated debt - Liabilities	867	867					867
Equity	5,702	5,702					5,702
TOTAL LIABILITIES	**58,080**	**57,859**	**21**	**4**			**57,834**

III-2 LI2 - 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	57,707	57,530	177		
Liabilities carrying value amount under regulatory scope of consolidation	25	21	4		
TOTAL NET AMOUNT UNDER REGULATORY SCOPE OF CONSOLIDATION	**57,682**	**57,509**	**173**		
Off-balance sheet amounts	2,237	2,237			
Differences in valuations	164	67	97		
Differences due to different netting rules, other than those already included in row 2	(889)	(889)			
Differences due to consideration of provisions	623	623			
Differences due to prudential filters					
EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES	**59,817**	**59,547**	**270**		

III-3 LI3 - OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

		Method of regulatory consolidation				
Name of the entity	**Method of accounting consolidation**	**Full consolidation**	**Proportional consolidation**	**Neither consolidated nor deducted**	**Deducted**	**Description of the entity**
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
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

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation: Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Description of the entity
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
RCI Services Ltd	Full consolidation			X		Insurance Company
RCI Insurance Ltd	Full consolidation			X		Insurance Company
RCI Life Ltd	Full consolidation			X		Insurance 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 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

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation: Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Deducted	Description of the entity
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	Full consolidation			X		Finance and services company
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
RCI Bank Uk Limited	Full consolidation	X				Credit institution

2.3.2 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 16.87% at 31 December 2019 (of which Core Tier one was 14.41%) against 15.48% at 31 December 2018 (of which Core Tier one was 15.46%). These ratios include profit for 2019, 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 2018, the increase in the solvency ratio is due to a €961 million increase in own equity (of which €850 million of T2), partially offset by a €3,093 million increase in weighted risks. The T2 issuance strengthens RCI Banque regulatory capital in anticipation of the expected recalibration of the parameters of our internal models following the reviews conducted by the ECB[(1)] and the application of EBA Guidelines on the definition of defaulted receivables.

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 2019, RCI Banque must apply the following capital buffers:

- a capital conservation buffer of 2.5% of total risk-weighted exposures;
- a countercyclical capital buffer applied to some countries as described in CCC1 table below.

Notification by the ECB of the Supervisory Review and Evaluation Process (SREP) decision

At the end of the year 2019, the European Central Bank has notified to RCI Banque its decision regarding the level of additional capital requirement under Pillar II (P2R - "Pillar II Requirement"). It is set for 2020 at 2%, applicable from 1st January 2020.

Minimum requirement for own funds and eligible liabilities (MREL)

RCI Banque has received the notification from the Single Resolution Board (SRB) of its binding minimum requirement for own funds and eligible liabilities (MREL). This MREL requirement has been set at 7.35% of the total liabilities and own funds (TLOF). This is equivalent to 12.27% of RCI Banque's risk weighted assets (RWA) and has been calibrated based on 2017 Overall Capital Requirement. As of today, RCI Banque already complies with this MREL requirement. Future requirements will be subject to ongoing review.

(1) On the models for which RCI Banque has received a draft decision letter following ECB inspections on internal models (TRIMIX or IMI), the negative impacts on solvency ratio are estimated at 1.20% including temporary add-ons impacts. Additional negative impacts could occur on models for which ECB conclusions have not been received yet.

III-4 CCC1 - GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

	General credit exposures		Trading book exposure		Securitisation exposure	
In Millions of euros	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
VENTILATION PAR PAYS						
Argentina	208					
Austria	687					
Belgium	554					
Brazil	2,426					
Swiss	880					
Czech Republic	224					
Germany	502	8,456				
Spain	502	4,505				
France	1,946	15,659				
Great-Britain	677	4,404				
Hungary	64					
Ireland	486					
India	33					
Italy	710	5,976				
South Korea	46	1,620				
Luxembourg	70					
Morocco	597					
Malta	100					
Netherlands	891					
Norway	3					
Poland	880					
Portugal	903					
Romania	337					
Russia						
Sweden	257					
Slovenia	288					
Slovakia	31					
Turkey	153					
United States						
Colombia	555					
Croatia	4					
Other countries						
TOTAL ALL COUNTRIES	**15,011**	**40,620**				

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.

Own funds requirements					
Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weights	Countercyclical capital buffer rate
19			19	0.01	
48			48	0.02	
44			44	0.02	
158			158	0.07	
61			61	0.03	
14			14	0.01	1.50%
202			202	0.08	
184			184	0.08	
718			718	0.30	0.25%
206			206	0.09	1.00%
5			5	0.00	
33			33	0.01	1.00%
7			7	0.00	
284			284	0.12	
47			47	0.02	
6			6	0.00	
42			42	0.02	
20			20	0.01	
71			71	0.03	
					2.50%
54			54	0.02	
67			67	0;03	
24			24	0.01	
21			21	0.01	2.50%
19			19	0.01	
3			3	0.00	1.50%
8			8	0.00	
34			34	0.01	
				0.00	
2,397			**2,397**	**1.00**	**0.21%**

III-5 CCC2 - AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

In millions of euros	Amounts
Total risk exposure amount	34,915
Institution specific countercyclical buffer rate	0.21%
Institution specific countercyclical buffer requirement	72

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).

2.3.3 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;
- deduction of deferred tax assets dependent on future profits;
- 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.

No phase-in is applied in 2019. In 2018, IDAs depending on future profits linked to deferrable deficits existing at end December 2013 were deducted from regulatory capital at 80%.

RCI Banque's CET1 core capital represents 85.4% of total prudential capital at end December 2019 against 99.9% at end 2018, due to €850 million subordinate T2 issuance.

Category 1 capital increased by €112 million compared to 31 December 2018 to €5,032 million, RCI Banque having included the result for 2019 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 five years without advance repayment during these first five 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 2019 as well as the subordinated bond issued in November 2019 for €850 million. In line with the public guidance on the revision of the classification of equity instruments as Additional Tier 1 and Tier 2 instruments, published in June 2016, RCI Banque informed its Joint Supervisory Team (JST) that the Bank issued a new T2 instrument pursuant to Article 63 of CRR.

III-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 million
Nominal amount of instrument	FRF1,000 or €152.45
Accounting classification	Subordinated debt
Original date of issuance	01/04/1985
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.

Features	Relevant information
Issuer	RCI Banque S.A.
Unique identifier	FR0013459765
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	€850 million
Nominal amount of instrument	€100,000
Accounting classification	Subordinated debt
Original date of issuance	18/11/2019
Perpetual or dated	18/02/2030
Issuer call option	Call option at 18/02/2025
Fixed or floating dividend/coupon	Fixed coupon
Coupon rate and any related index	2.625%
Existence of step up or other incentive to redeem	If the call option is not exercised, the coupon rate is adjusted to a 5-Year Mid-Swap Rate of +2.85%
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. Subordinated bonds 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 2019.

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

III-7 FP1 - BREAKDOWN OF REGULATORY CAPITAL BY CATEGORY

In millions of euros	Amount at disclosure date	Regulation (EU) N° 575/2013 reference	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) N° 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	2,357	26 (1) (c)	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2,026	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 1 January 2019		483 (2)	
Minority Interests (amount allowed in consolidated CET1)		84, 479, 480	
Independently reviewed interim profits net of any fore- seeable charge or dividend	153	26 (2)	
COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS	**5,350**		
Common Equity Tier 1 capital: regulatory adjustments			
Additional value adjustments (-)	(51)	34, 105	
Intangible assets (net of related tax liability) (-)	(89)	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) (-)	(121)	36 (1) (c), 38, 472 (5)	
Fair value reserves related to gains or losses on cash flow hedges	20	33 (a)	
Negative amounts resulting from the calculation of expected loss amounts	(84)	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	7	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	
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 to 91*	
• *Of which: securitisation positions (-)*		*36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258*	
• *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)*	

In millions of euros	**Amount at disclosure date**	**Regulation (EU) N° 575/2013 reference**	**Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) N° 575/2013**
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		481	
Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)		36 (1) (j)	
TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1)	**(318)**		
COMMON EQUITY TIER 1 (CET1) CAPITAL	**5,032**		
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 1 January 2019		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)	
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*		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
• *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*			

In millions of euros	Amount at disclosure date	Regulation (EU) N° 575/2013 reference	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) N° 575/2013
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		477, 477 (3), 477 (4) (a)	
• *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*			
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)	**5,032**		
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	857	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 1 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	**857**		
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) (-)		66 (c), 69, 70, 79, 477 (4)	
• *Of which new holdings not subject to transitional arrangements*			
• *Of which holdings existing before 1 January 2013 and subject to transitional arrangements*			
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		472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
• *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*			
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		475, 475 (2) (a), 475 (3), 475 (4) (a)	
• *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*			

In millions of euros	Amount at disclosure date	Regulation (EU) N° 575/2013 reference	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) N° 575/2013
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	**857**		
TOTAL CAPITAL (TC = T1 + T2)	**5,889**		
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, deferred tax assets part, items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts)*			
● *Of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts)*		*475, 475(2)(b), 475(2)(c), 475(4)(b)*	
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	**34,915**		
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	14.41%	92 (2) (a), 465	
Tier 1 (as a percentage of risk exposure amount)	14.41%	92 (2) (b), 465	
Total capital (as a percentage of risk exposure amount)	16.87%	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)	2.71%	CRD 128, 129, 130	
● *Of which: capital conservation buffer requirement*	*2.50%*		
● *Of which: countercyclical buffer requirement*	*0.21%*		
● *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)	9.91%	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)	

In millions of euros	Amount at disclosure date	Regulation (EU) N° 575/2013 reference	Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) N° 575/2013
Applicable caps on the inclusion of provisions in Tier 2			
Credit risk adjustments included in T2 in respect of exposures subject tostandardized approach (prior to the application of the cap)		62	
Cap on inclusion of credit risk adjustments in T2 under standardised approach	176	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	101	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)	

2.3.4 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.

III-8 OV1- OVERVIEW OF RWA

In Millions of euros	RWA 12/2019	RWA 09/2019	Min. capital requirements 12/2019
Credit risk (excluding CCR)	29,858	30,995	2,389
• *Of which the standardised approach*	*13,034*	*14,772*	*1,043*
• *Of which the foundation IRB (FIRB) approach*	*189*	*122*	*15*
• *Of which the advanced IRB (AIRB) approach*	*16,635*	*16,101*	*1,331*
• *Of which equity IRB under the simple RWA or the IMA*			
Counterparty Credit Risk	261	369	21
• *Of which mark to market*			
• *Of which original exposure*			
• *Of which the standardised approach*	*103*	*93*	*8*
• *Of which internal model method (IMM)*			
• *Of which REA for contributions to the default fund of a CCP*			
• *Of which Credit Valuation Adjustment*	*158*	*276*	*13*
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	3,854	3,502	308
• *Of which basic indicator approach*			
• *Of which standardised approach*	*3,854*	*3,502*	*308*
• *Of which advanced measurement approach*			
Amounts below the thresholds for deduction (subject to 250% RW)	942	877	75
Floor adjustment			
TOTAL	**34,915**	**35,743**	**2,793**

2.3.5 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.

2.3.6 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).

The implementation of a 3% minimum regulatory requirement for the leverage ratio was endorsed with the adoption of the banking package (CRR2/CRD V).

The RCI Banque group's leverage ratio, estimated according to CRR/CRD IV rules and factoring in the delegated regulation of October 2014, was 8.40% at 31 December 2019.

III-9 LRSUM - SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

In millions of euros	31/12/2019
TOTAL ASSETS AS PER PUBLISHED FINANCIAL STATEMENTS	**58,080**
Adjustment for entities wich are consolidated for accounting purposed but are outside the scope of regulatory consolidation	(221)
Adjustments for derivative financial instruments	189
Adjustment for off-balance sheet items (*i.e.* conversion to credit equivalent amounts of off-balance sheet exposures)	2,239
Other adjustments	(372)
LEVERAGE RATIO TOTAL EXPOSURE MEASURE	**59,915**

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

III-10 LRCOM - LEVERAGE RATIO

In millions of euros	12/31/2019
ON-BALANCE SHEET EXPOSURES	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	57,579
Assets amounts deducted in determining Tier 1 capital	(268)
TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDIBG DERIVATIVES, SFTS AND FIDUCARY ASSETS)	**57,311**
DERIVATIVE EXPOSURES	
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	366
TOTAL DERIVATIVES EXPOSURES	**366**
OTHER OFF-BALANCE SHEET EXPOSURES	
Off-balance sheet exposures at gross notional amount	2,769
Adjustments for conversion to credit equivalent amounts	(530)
TOTAL OTHER OFF-BALANCE SHEET EXPOSURES	**2,239**
CAPITAL AND TOTAL EXPOSURE MESURE	
Tier 1 capital	5,032
Leverage ration total exposure measure	59,915
Leverage ratio	**8.40%**

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

III-11 LRSPL - BREAKDOWN OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

In millions of euros	31/12/2019
TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS, AND EXEMPTED EXPOSURES)	**57,579**
Trading book exposures	
Banking books exposures, of wich:	57,579
● *Exposures treated as sovereigns*	*3,195*
● *Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns*	*39*
● *Institutions*	*1,514*
● *Retail exposures*	*33,062*
● *Corporate*	*17,517*
● *Exposures in default*	*229*
● *Other exposures (eg equity, securitisations, and other non-credit obligation assets)*	*2,023*

III-12 LRQUA - 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 8.40% at the end of December 2019 against 8.89% at the end of December 2018. The ratio decrease slowly due to the growth of risk weighted assets by 8%, while Tier 1 capital increase by 2%.

2.3.7 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 (minimum 5%), 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.

2.4 CREDIT RISK

2.4.1 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).

IV-1 CR3 - 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	53,495		889		
Debt securities	1,259				
TOTAL	**54,754**		**889**		
Of which defaulted	676				

IV-2 CRB-B - 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	12,449	10,940
• *Of which: Specialised lending*		
• *Of which: SMEs*	*2,930*	*2,549*
Retail	27,551	26,862
• *Secured by real estate property*		
SMEs		
Non-SMEs		
• *Qualifying revolving*		
• *Other retail*	*27,551*	*26,862*
SMEs	*2,871*	*2,815*
Non-SMEs	*24,680*	*24,047*
Equity		
TOTAL IRB APPROACH	**40,000**	**37,803**
Central governments or central banks	3,198	3,048
Regional governments or local authorities	171	58
Public sector entities		9
Multilateral development banks		
International organisations	15	15
Institutions	1,584	1,458
Corporates	6,248	6,084
• *Of which: SMEs*	*3,450*	*3,081*
Retail	7,115	6,698
• *Of which: SMEs*	*1,227*	*1,230*
Secured by mortgages on immovable property		
• *Of which: SMEs*		
Exposures in default	88	82
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment	147	107
Collective investments undertakings	80	1,758
Equity exposures	221	236
Other exposures	1,760	939
TOTAL STANDARDISED APPROACH	**20,626**	**20,492**
TOTAL	**60,626**	**58,295**

IV-3 CRB-C - GEOGRAPHICAL BREAKDOWN OF EXPOSURES

In millions of euros	France	Germany	Great-Britain	Italy	Spain	Brazil	South Korea	Swiss	Portugal	Poland	Nether-land	Other countries	Total
Central governments or central banks													
Institutions													
Entreprises	7,173	1,736	981	1,427	1,132								12,449
Retail	8,241	6,673	3,302	4,458	3,304		1,574						27,551
Equity													
TOTAL IRB APPROACH	**15,414**	**8,409**	**4,283**	**5,886**	**4,435**		**1,574**						**40,000**
Central governments or central banks	1,048	783	658	153	10	230	100	3	41	50	2	119	3,198
Regional or local authorities	45			125									171
Public sector entities													
Multilateral development banks													
International organisations												15	15
Institutions	749	191	160	154	12	2	33	1	2	11	34	236	1,584
Corporates	653	234	26	298	289	597	21	475	644	419	379	2,213	6,248
Retail	522	27	385	339	182	1,925	9	432	256	523	410	2,105	7,115
Secured by mortgages on immovable property													
Exposures in default	4		4	17		25	4	4	1	1	2	25	88
Items associated with particularly high risk													
Covered bonds													
Claims on institutions and corporates with a short-term credit assessment	27	14				88						17	147
Collective investments undertakings						6						74	80
Equity exposures	3										84	133	221
Other exposures	829	240	264	81	34	7	12	42	51	32	15	154	1,760
STANDARD APPROACH	**3,881**	**1,489**	**1,496**	**1,168**	**526**	**2,880**	**180**	**958**	**996**	**1,036**	**926**	**5,091**	**20,626**
TOTAL	**19,295**	**9,898**	**5,779**	**7,053**	**4,962**	**2,880**	**1,754**	**958**	**996**	**1,036**	**926**	**5,091**	**60,626**

IV-4 CRB-D - CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

In million of euros	Central governments or central banks	Insitutions	Other financial corporations	Household	Non-financial corporations	Of which Manufacturing	Of which Construction
Central governments or central banks							
Institutions							
Non-financial corporations					15,320	594	935
Households				24,680			
Equity							
TOTAL IRB APPROACH				**24,680**	**15,320**	**594**	**935**
Central governments or central banks	3,198						
Regional or local authorities			171				
Public sector entities							
Multilateral development banks							
International organisations			15				
Institutions		1,584					
Non-financial coprorations					7,638	397	271
Households				5,725			
Secured by mortgages on immovable property							
Exposures in default				30	57	3	4
Items associated with particularly high risk							
Covered bonds							
Claims on inst. corporates with a ST credit assessment		147					
Collective investments undertakings							
Equity exposures							
Other exposures							
STANDARD APPROACH	**3,198**	**1,731**	**186**	**5,756**	**7,694**	**400**	**275**
TOTAL	**3,198**	**1,731**	**186**	**30,436**	**23,015**	**994**	**1,210**

Of which							
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	Other exposures	**Total**
10,641	387	330	1,111	288	1,035		15,320
							24,680
10,641	**387**	**330**	**1,111**	**288**	**1,035**		**40,000**
							3,198
							171
							15
							1,584
5,182	236	180	376	57	939		7,638
							5,725
33	2	4	2	1	8		88
							147
						80	80
						221	221
						1,760	1,760
5,214	**238**	**185**	**377**	**58**	**947**	**2,060**	**20,626**
15,855	**625**	**515**	**1,488**	**346**	**1,982**	**2,060**	**60,626**

IV-5 CRB-E - MATURITY OF EXPOSURES

In million of euros	On demand	≤ 1 year	> 1 year and ≤ 5 years	> 5 years	No stated maturity	Total
Central governments or central banks						
Institutions and other financial coprorations						
Non-financial corporations	364	11,936	2,993	28		15,320
Households	271	8,630	15,457	322		24,680
Other exposures						
TOTAL IRB APPROACH	**635**	**20,566**	**18,450**	**350**		**40,000**
Central governments or central banks	1,88	915	468	27		3,198
Institutions and other financial coprorations	1,272	114	188	229	114	1,917
Non-financial corporations	1,254	5,210	1,129	100	1	7,694
Households	62	2,155	3,363	175		5,756
Other exposures					2,060	2,060
STANDARD APPROACH	**4,377**	**8,395**	**5,148**	**531**	**2,175**	**20,626**
TOTAL	**5,012**	**28,961**	**23,598**	**881**	**2,175**	**60,626**

IV-6 CR1-A - 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	Accum-ulated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks							
Institutions							
Corporates	61	12,463	(32)	(44)		12,449	(4)
• *Of which: Specialised lending*							
• *Of which: SMEs*	*41*	*2,923*	*(19)*	*(14)*		*2,930*	*(6)*
Retail	412	27,684	(299)	(246)		27,551	(32)
• *Secured by real estate property*							
SMEs							
Non-SMEs							
• *Qualifying revolving*							
• *Other retail*	*412*	*27,684*	*(299)*	*(246)*		*27,551*	*(32)*
SMEs	75	2,876	(51)	(28)		2,871	(12)
Non-SMEs	336	24,808	(247)	(217)		24,680	(20)
Equity							
TOTAL IRB APPROACH	**473**	**40,147**	**(330)**	**(290)**		**40,000**	**(36)**
Central governments or central banks		3,199		(1)		3,198	(1)
Regional governments or local authorities		171				171	
Public sector entities							
Multilateral development banks							
International organisations		15				15	
Institutions		1,584				1,584	
Corporates	76	6,296	(34)	(48)		6,290	(6)
• *Of which: SMEs*	*64*	*3,483*	*(32)*	*(33)*		*3,483*	*(5)*
Retail	124	7,190	(79)	(74)		7,160	(32)
• *Of which: SMEs*	*28*	*1,237*	*(14)*	*(10)*		*1,241*	*(4)*
Secured by mortgages on immovable property							
• *Of which: SMEs*							
Exposures in default							
Items associated with particularly high risk							
Covered bonds							
Claims on inst. and corporates with a ST credit assessment		147				147	
Collective investments undertakings		80				80	
Equity exposures		221				221	
Other exposures		1,760				1,760	
TOTAL STANDARDISED APPROACH	**201**	**20,662**	**(113)**	**(124)**		**20,626**	**(39)**
TOTAL	**673**	**60,809**	**(443)**	**(414)**		**60 626**	**(75)**
• *Of which: Loans*	*676*	*53,708*	*(443)*	*(407)*		*53,534*	*(75)*
• *Of which: Debt securities*		*1,179*		*(1)*		*1,178*	*1*
• *Of which: Off-balance-sheet exposures*	*1*	*2,797*		*(5)*		*2,792*	*(1)*

IV-7 CR1-B - 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	Accumu-lated write-offs	Net value	Credit risk adjustment charges of the period
Central governments or central banks		3,199		(1)		3,198	(1)
Institutions		1,731				1,731	
Other financial corporations		186				186	
Households	436	30,588	(312)	(275)		30,436	(58)
Non-financial corporations	237	23,045	(131)	(137)		23,015	(15)
• *Of which: Manufacturing*	*22*	*988*	*(10)*	*(6)*		*994*	*(6)*
• *Of which: Construction*	*26*	*1,203*	*(11)*	*(7)*		*1 210*	*(6)*
• *Of which: Wholesale and retail trade*	*116*	*15,909*	*(75)*	*(95)*		*15,855*	*18*
• *Of which: Transport ans storage*	*16*	*616*	*(5)*	*(4)*		*625*	*(3)*
• *Of which: Professional, scientific and technical activities*	*10*	*513*	*(6)*	*(3)*		*515*	*(6)*
• *Of which: Administrative and support service activities*	*13*	*1,491*	*(7)*	*(9)*		*1,488*	
• *Of which: Human health services and social work activities*	*3*	*348*	*(3)*	*(2)*		*346*	*(1)*
• *Of which: Other sectors*	*29*	*1,977*	*(14)*	*(11)*		*1,982*	*(12)*
Other exposures		2,060				2,060	
TOTAL	**673**	**60,809**	**(443)**	**(414)**		**60,626**	**(75)**

IV-8 CR1-C - 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	Accumu-lated write-offs	Net value	Credit risk adjustment charges of the period
France	244	19,306	(157)	(97)		19,295	(5)
Germany	39	9,906	(23)	(25)		9,898	(1)
Great-Britain	29	5,871	(22)	(99)		5,779	4
Italy	115	7,039	(67)	(33)		7,053	(21)
Spain	58	4,979	(48)	(27)		4,962	(17)
Brazil	50	2,901	(24)	(47)		2,880	(23)
South Korea	38	1,762	(33)	(14)		1,754	4
Swiss	6	957	(2)	(4)		958	
Portugal	6	1,004	(5)	(9)		996	(1)
Poland	11	1,043	(10)	(9)		1,036	(3)
Netherland	3	926	(1)	(2)		926	1
Other countries	76	5,115	(51)	(49)		5,091	(13)
TOTAL	**673**	**60,809**	**(443)**	**(414)**		**60,626**	**(75)**

IV-9-CRD1-D-AGEING OF PAST DUE EXPOSURE

	Gross carrying values					
In millions of euros	≤ 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	427	238	49	69	44	54
Debt securities						
TOTAL EXPOSURES	**427**	**238**	**49**	**69**	**44**	**54**

IV-10 CR1-E NON PERFORMING AND FORBORNE EXPOSURE

	Gross carrying amount of performing and non-performing						
		Of which performing		Of which non-performing			
In millions of euros		but past due > 30 to 90	Of which performing forborne		Of which defaulted	Of which impaired	Of which forborne
Loans	54,384	41	39	676	676	676	88
Debt securities	1,259						
Off-balance-sheet exposures	2,798			1	1		

	Accumulated impairment and provisions and negative fair-value adjustments due to credit risks				Collaterals and financial guarantees received	
	On performing exposures		On non-performing exposures		On non-performing exposures	
In millions of euros		Of which forborne		Of which forborne		Of which forborne
Loans	(408)		(441)	(47)	102	2
Debt securities	(1)					
Off-balance-sheet exposures	(5)					

IV-11– CREDIT QUALITY OF FORBORNE EXPOSURES

	Gross carrying amount of exposures with forbearance measures				Accumulated impairment and change in FV		Collateral and guarantees	
		Non-performing forborne						
In millions of euros	Performing forborne		Of which defaulted	Of which impaired	Performing forborne	Non-performing forborne	On forborne exposure	ow on NPE with forbearance measures
Loans and advances	39	88	88	88		(47)	2	
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	*5*	*4*	*4*	*4*		*(4)*		
Households	35	83	83	83		(43)	2	
Debt securities								
Loan commitments given								
TOTAL	**39**	**88**	**88**	**88**		**(47)**	**2**	

IV-12 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES PER DAYS PAST DUE

	Gross carrying amount and nominal amount											
	Performing exposures			Non-performing exposures								
In millions of euros		Not past due or past due < 30 days	Past due beetwen 30 d and 90 d		Unlikely to pay or past due < 90 days	Past due beetwen 90 and 180 days	Past due beetwen 180 and 365 days	Past due beetwen 1 and 2 years	Past due beetwen 2 and 5 years	Past due beetwen 5 and 7 years	Past due > 7 years	Of which defaulted
LOANS AND ADVANCES	**53,708**	**53,667**	**41**	**676**	**508**	**69**	**44**	**53**	**1**			**676**
Central banks	1,527	1 527										
General governments	227	227										
Credit institutions	1,268	1 268										
Other financial corporations												
Non-financial corporations	21,178	21,158	20	239	196	19	6	17				239
• *Of which SMEs*	*10,464*	*10,446*	*18*	*194*	*157*	*18*	*5*	*14*				*194*
Households	29,509	29,488	21	436	312	50	37	36	1			436
DEBT SECURITIES	**1,259**	**1,259**										
Central banks	100	100										
General governments	901	901										
Credit institutions	2	2										
Other financial corporations	133	133										
Non-financial corporations	122	122										
LOAN COMMITMENTS GIVEN	**2,552**			**1**								**1**
Central banks												
General governments	43											
Credit institutions	4											
Other financial corporations												
Non-financial corporations	1,458			1								1
Households	1,048											
TOTAL	**57,519**	**54,926**	**41**	**677**	**508**	**69**	**44**	**53**	**1**			**677**

IV-13 – PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

	Gross carrying amount and nominal amounts						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial writeoff	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures			Non-performing exposures				Performing exposures	Non-performing exposures
In millions of euros		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
LOANS AND ADVANCES	**53,708**	**50,316**	**3,393**	**676**		**676**	**(408)**	**(232)**	**(177)**	**(441)**		**(441)**		**16,207**	**107**
Central banks	1,527	1,527													
General governments	227	181	45				(2)	(1)	(1)					8	1
Credit institutions	1,268	1,207	60											224	4
Other financial corporations															
Non-financial corporations	21,178	19,951	1,226	239		239	(130)	(89)	(42)	(129)		(129)		11,935	65
Of which SMEs	10,464	9,663	801	194		194	(80)	(46)	(34)	(111)		(111)		2,189	54
Households	29,509	27,448	2,061	436		436	(276)	(143)	(134)	(312)		(312)		4,040	36
DEBT SECURITIES	**1,259**	**1,259**					**(1)**	**(1)**							
Central banks	100	100													
General governments	901	901					(1)	(1)							
Credit institutions	2	2													
Other financial corporations	133	133													
Non-financial corporations	122	122													
LOAN COMMITMENTS GIVEN	**2,552**	**2,546**	**7**	**1**		**1**	**(5)**	**(5)**							
Central banks															
General governments	43	43													
Credit institutions	4	4													
Other financial corporations															
Non-financial corporations	1,458	1,452	6	1		1	(4)	(4)							
Households	1,048	1,048	1				(1)	(1)							
TOTAL	**57,519**	**54,120**	**3,399**	**677**		**677**	**(415)**	**(238)**	**(177)**	**(442)**		**(442)**		**16,207**	**107**

IV-14 CR2-B - CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

In millions of euros	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E		
Residential immovable property		
Commercial Immovable property		
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other		
TOTAL		

IV-15 CR2-A – CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
OPENING BALANCE	**139**	**651**
Increases due to amounts set aside for estimated loan losses during the period	113	252
Decreases due to amounts reversed for estimated loan losses during the period	(50)	(150)
Decreases due to amounts taken against accumulated credit risk adjustments	(48)	(49)
Transfers between credit risk adjustments		
Impact of exchange rate differences	1	(1)
Business combinations, including acquisitions and disposal of subsidiaries		
Other adjustments	(1)	(1)
CLOSING BALANCE	**154**	**702**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	15	
Specific credit risk adjustments directly recorded to the statement of profit or loss	126	

IV-16 CR2-B – CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

In million of euros	GV Defaulted exposure
Opening balance	**622**
Loans and debts securities that have defaulted or impared since the last reporting	440
Returned to non-defaulted status	(260)
Amounts written off	(126)
Other changes	
Closing balance	**676**

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

2.4.2 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 quarterly (depending on the significance of the country concerned and its current topics) 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". 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 2019

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 IFRS 9 provisioning standard has been applied since 1 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 IFRS 9 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 Customer cost of risk at end of December 2019 closed at 0.47% of average performing assets (APA), against 0.51% at end of December 2018. 2019 was marked by an increase of the cost of risk related to defaulted outstandings, which stood at 0.44% vs. 0.35% in 2018, due to a stronger write-off policy and the default of two major fleets in Spain and Italy. As a result of the growth of our performing assets over the period, the impact of the provisioning of healthy outstandings was 0.06% in 2019. This expense was partly offset by an improvement in the quality of the healthy portfolio (risk gain of -0.03%).

The proportion of retail customer bad debts (excluding factoring) remained stable at 1.48% for a total of €585 million. Including factoring, bad debts represented 1.49% of total retail customer outstandings at end-2019. The coverage rate for bad debt was 69.6% at end-2019, compared to 64.9% at end-2018.

Performing and non-performing restructured receivables amounted to €123.4 million, increasing compared to end of December 2018 (€112 million).

Dealer business results at end of December 2019

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 2019, RCI Banque stabilized its international presence and supported the development of Alliance brands and their dealer networks.

Dealer network outstandings across the entire scope of operations amounted €11.8bn at end-December 2019 compared with €11.1bn at end-December 2018.

The 2019 cost of risk is on net release at -0.09% of the average performing outstandings. The release of Forward-looking provisions, which takes into account the macro-economic environment, offset the provisions related to the increase of outstandings and the passage of certain dealers into compromised status, notably in France, Germany and Spain.

Bad debt fell by 13%, from €62 million (0.56% of dealer network outstandings) at end-December 2018 to €54 million (0.46% of dealer network outstandings) at end-December 2019.

In 2019, the amounts recovered on returns to better fortunes (€0.6 million) exceeded that of write-offs (€0.3 million), confirming the favorable trend observed in 2018. Restructured receivables outstandings were limited to €3.7 million, a low level, and down on last year (€7.3 million at December 2018), which confirms the low risk on Dealer network finance.

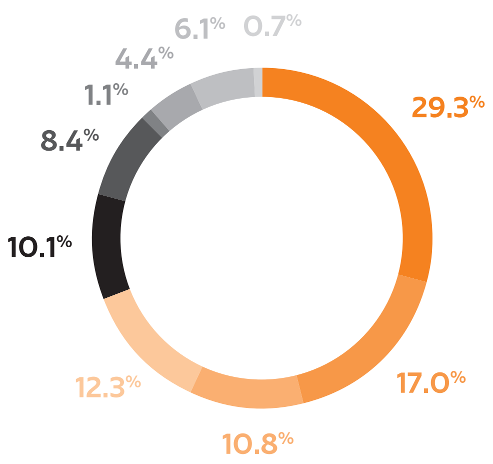
2.4.3 DIVERSIFICATION OF CREDIT RISK EXPOSURE

RCI customer performing assets at end December 2019 were up 9.1% at 39 billion euros. They are spread over 25 countries, with Europe well represented. Apart from the United Kingdom and Argentina, all countries are up, with more marked performance in France, Germany, Brazil and Italy which, at 2.6 billion euros, contribute to a total increase on 3.2 billion. The weight of G7 countries (IRB approved or included in the approval plan for Brazil) remains stable at 88.2% of total RCI in 2019. The increase shows the momentum of markets where RCI operates, excluding the United Kingdom which saw its share fall from 10.8% in 2018 to 9.9% in 2019.

In terms of the breakdown of customer business by product, credits represented 63% of RCI outstandings, down 2 points, financial leases 34%, up 2 points, and operating leases (including battery leases) were stable at 3%.

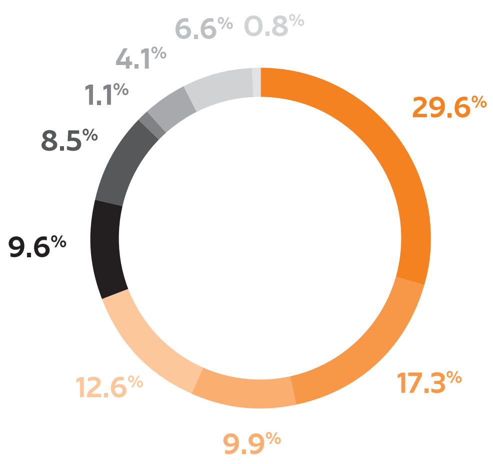
IV-17 RETAIL CREDIT RISK EXPOSURE

RETAIL 12/2018



- France **29.3%**
- Germany **17.0%**
- United-Kingdom **10.8%**
- Italy **12.3%**
- Spain **10.1%**
- Rest Europe **8.4%**
- Africa **1.1%**
- Asia-Pacific **4.4%**
- Americas **6.1%**
- Eurasia **0.7%**

RETAIL 12/2019

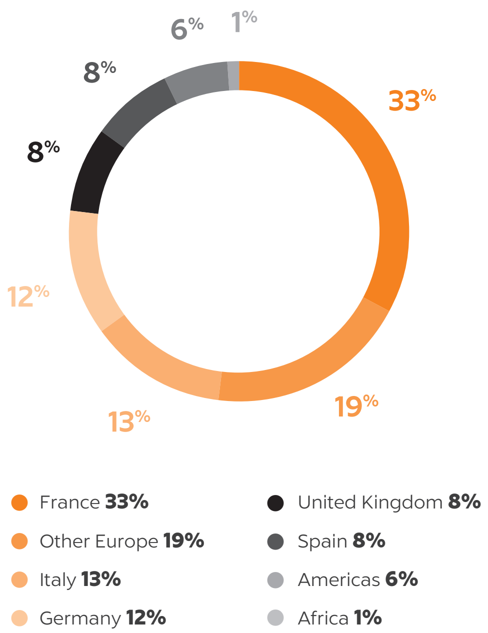


- France **29.6%**
- Germany **17.3%**
- United-Kingdom **9.9%**
- Italy **12.6%**
- Spain **9.6%**
- Rest Europe **8.5%**
- Africa **1.1%**
- Asia-Pacific **4.1%**
- Americas **6.6%**
- Eurasia **0.8%**

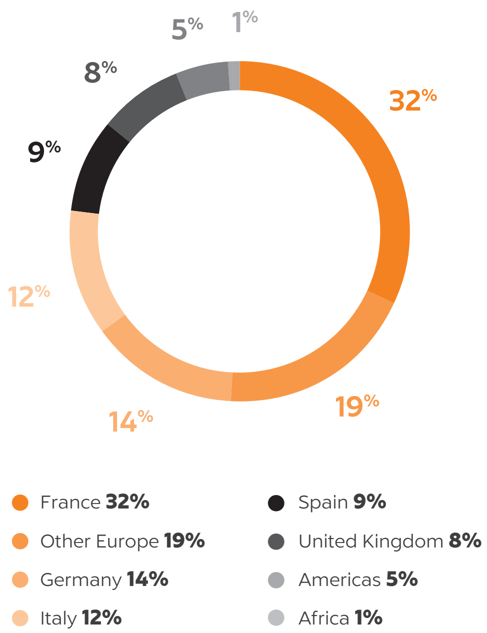
Dealer Network outstandings are spread across 25 consolidated countries, predominantly in Europe. The breakdown of outstandings by country remained relatively stable. However, behind France, Germany overtook Italy to return second place due to an increase in Renault/Dacia outstandings, and the Americas saw their weight decrease slightly due to the sharp downturn in the Argentine market.

IV-18 WHOLESALE CREDIT RISK EXPOSURE

WHOLESALE 12/2018



WHOLESALE 12/2019



2.4.4 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.

2.4.5 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[(1)]) are treated using the advanced approach based on internal ratings.

For all of these scopes, RCI has obtained the following authorizations:

- for France, Germany, Italy and Spain, approved in January 2008;
- for the United Kingdom, approved in January 2010;
- for Korea, approved in June 2011.

The credit risk models applied within RCI Banque are subject to on-site supervisor inspections, giving rise to obligations and/or recommendations and, where applicable, the establishment of temporary additional margins on the parameters estimated by the Bank.

2.4.5.1 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.

(1) For these six countries, some portfolios are in standard approach (examples: Corporates in the United Kingdom, Large Corporates outside France). Furthermore, RCI Korea is not concerned by the dealer financing activity.

2.4.5.2 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.

2.4.5.3 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 49% for the overall Corporate portfolio using the advanced internal rating method and 97% 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 €953 million), and 100% for the corporate approvals (representing €665 million).

IV-19 CR6 IRB APPROACH – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

PD scale *in millions of euros*	Original on-balance sheet gross exposure	Off-balancesheet exposures pre CCF	Average CCF	EAD post CRM and post-CCF	Average PD	Number of obligors
Portfolio Corporates FIRB						
0.00 to <0.15	8			8	0.03%	28
0.15 to <0.25						
0.25 to <0.50	35			35	0.35%	16
0.50 to <0.75						
0.75 to <2.50	118			118	1.08%	66
2.50 to <10.00	35			35	3.48%	8
10.00 to <100.00					17.86%	2
100.00 (Default)					100.00%	4
SUB-TOTAL CORPORATE FIRB	**196**			**196**	**1.58%**	**124**
Portfolio Corporates AIRB						
0.00 to <0.15	294	52	100%	346	0.04%	496
0.15 to <0.25						
0.25 to <0.50	1,547	79	100%	1,509	0.36%	641
0.50 to <0.75	2,258	63	100%	1,860	0.73%	452
0.75 to <2.50	4,683	260	100%	4,943	1.29%	4,406
2.50 to <10.00	2,500	176	100%	2,563	4,.76%	2,407
10.00 to <100.00	322	34	100%	356	28.02%	441
100.00 (Default)	60	1	100%	61	100,00%	145
SUB-TOTAL CORPORATE AIRB	**11,664**	**665**	**100%**	**11,637**	**3.14%**	**8,988**
Portfolio Retail						
0.00 to <0.15	3,127	124	100%	3,251	0.12%	519,342
0.15 to <0.25	1,586	164	100%	1,750	0.22%	265,438
0.25 to <0.50	3,489	89	100%	3,577	0.31%	389,273
0.50 to <0.75	4,970	135	100%	5,105	0.53%	398,081
0.75 to <2.50	9,582	316	100%	9,898	1.19%	779,182
2.50 to <10.00	3,097	114	100%	3,211	4.46%	245,676
10.00 to <100.00	881	11	100%	892	24.16%	76,380
100.00 (Default)	411	1	100%	412	100,00%	50,622
SUB-TOTAL RETAIL	**27,143**	**953**	**100%**	**28,096**	**3.32%**	**2,723,994**
TOTAL (ALL PORTFOLIOS)	**39,002**	**1,618**	**100%**	**39,928**	**3.26%**	**2,733,106**

Average LGD	Average maturity (Years)	RWA	RWA density	EL	Provisions
45.00%	2.5	1	15.31%		
45.00%	2.5	22	62.28%		
45.00%	2.5	116	98.60%	1	
45.00%	2.5	50	141.81%	1	
45.00%	2.5		242,86%		
45.00%	2.5				
45.00%	**2.5**	**189**	**96.63%**	**1**	
38.72%	2.0	42	12.11%		
19.83%	1.4	341	22.61%	1	(1)
16.04%	1.4	403	21.65%	2	(2)
23.27%	1.3	2,150	43.51%	14	(10)
26.34%	1.5	1,932	75.40%	28	(15)
37.22%	1.9	652	183.39%	40	(17)
93.61%	1.3	169	277.70%	44	(32)
23.60%	**1.4**	**5,690**	**48.89%**	**129**	**(76)**
44.94%		429	13.18%	2	(2)
36.20%		281	16.06%	1	(1)
47.04%		954	26.66%	5	(4)
35.57%		1,440	28.21%	10	(12)
44.87%		4,863	49.13%	54	(76)
42.50%		1,946	60.61%	61	(57)
43.81%		866	97.11%	95	(93)
84.56%		166	40.29%	345	(299)
43.20%		**10,945**	**38.96%**	**573**	**(544)**
37.50%		**16,824**	**42.14%**	**704**	**(620)**

2.4.5.4 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.

2.4.5.4.1 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.

2.4.5.4.2 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.

IV-20 SEGMENTATION OF EXPOSURES BY THE ADVANCED METHOD AND AVERAGE PD BY COUNTRY

Category of exposure	IRBA countries	Average sound portfolio PD at 31/12/2019
Retail customers	Germany	1.22%
	Spain	1.17%
	France	1.85%
	Italy	1.49%
	United Kingdom	2.02%
	South Korea	0.97%
Small and medium-sized companies	Germany	2.01%
	Spain	3.78%
	France	3.56%
	Italy	4.66%
	United Kingdom	1.43%
	South Korea	1.25%
Large corporations	Germany	2.44%
	Spain	4.88%
	France	3.07%
	Italy	3.69%
	United Kingdom	1.07%

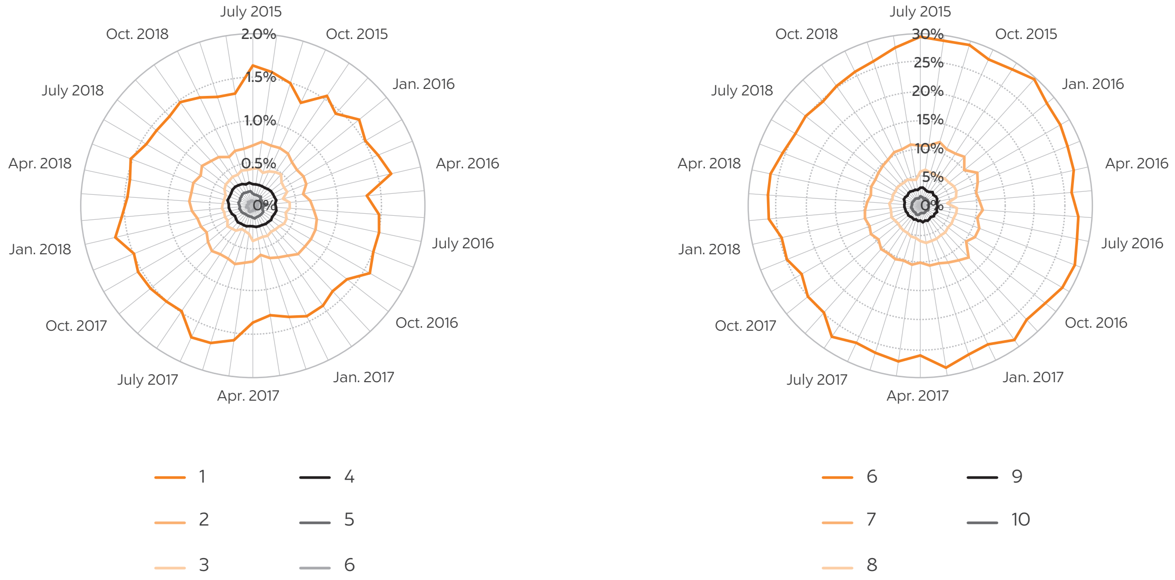
4.5.4.3 Testing PD models

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, 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.

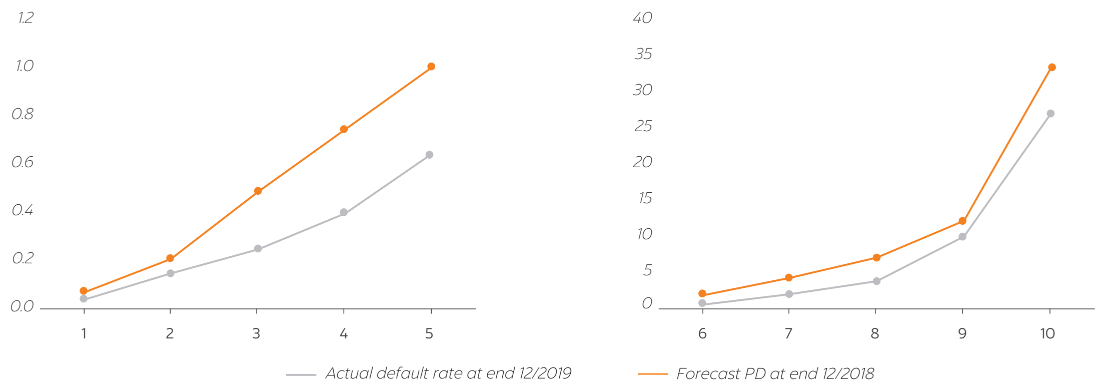
IV-21 HISTORY OF DEFAULT RATES PER CLASS



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

IV-22 CONSUMER PD MODEL FOR GERMANY AT END-DECEMBER 2019

CLASSES 1 À 5 **CLASSES 6 À 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 2019.

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%).

IV-23 CR9 - IRB APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS

	At the end of previous year		Number of obligors				
Exposure class	**Weighted average PD**	**Arithmetic average PD by.obligors**	**End of previous year (31/12/2018)**	**End of the year (31/12/2019)**	**Default obligors in 2019**	**Of which new obligor in 2019**	**AVERAGE historical annual defaut rate**
Retail individuals	1.09%	1.54%	2,410,983	2,545,670	22,542	1,436	1.21%
SME	4.91%	3.46%	168,483	173,918	3,327	273	2.76%
Large companies	1.69%	1.69%	1,822	1,889	18	1	0.51%
Dealers	2.08%	2.77%	1,932	1,877	14	0	1.81%

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.

2.4.5.5 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 seven 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.

IV-24 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**	**Average loss computed at the last backtesting**
Retail individuals SME Large companies	France	Credit	Statistical	Internal	43,00%	37.54%
		Leasing			44.90%	34.53%
	Germany	Credit	Statistical	Internal	22.40%	17.91%
		Leasing			32.30%	34.70%
	Spain	Credit VN	Statistical	Internal	47.60%	32.19%
		Credit VO			54.47%	37.77%
		Leasing			49.30%	10.43%
	Italy	Single segment	Statistical	Internal	53.20%	28.76%
	United Kingdom	Single segment	Statistical	Internal	49.30%	41.09%
	South Corea	Single segment	Statistical	Internal	52.00%	48.46%
Dealers	G5(*)	R1 VN	Combined	Internal	12.10%	8.60%
		R1 others			22.90%	16.34%
		R2			21.00%	13.30%

(*) 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. The LGDs observed are conservative overall, despite an overshoot observed in one of the segments of German Retail, SME and Corporate Customers portfolio. It should be noted that changes to the retail LGD models were validated by the ECB at the beginning of 2020, and will go into production during 2020.

The average loss given defaults on the sound portfolio is 42.56% for Retail Customers and 27.36% for the Corporate segment, the latter breaking down as 43.78% for non-Dealer companies and 15.43% for the Dealers.

Customer expected loss (EL) increased by 5.0% compared to December 2018 (+€31 million), mainly due to the increase in default EL (up by 8.9%): this change is explained by the increase in the default portfolio in terms of amount (€430.1 million of EAD in December 2019 vs. €401.1 million in December 2018). Moreover, default LGD deteriorated by 131 bps, contributing to the increase in default EL. Healthy EL rose by only +0.6%.

2.4.5.6 Operational use of internal ratings

2.4.5.6.1 Customers

Granting policy

Customers applying for financing plans are systematically rated by acceptance specific scoring; this situation, which pre-dated the “Basel” ratings, allow to set the initial direction of the application in the decision-making process, the study process concentrating on “intermediary and high” risks. Consistency between acceptance rating and “Basel” rating in insured during the modelling phase as well as during backtesting exercises. 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 analyzed 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.

2.4.5.6.2 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.

2.4.5.7 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 quarterly 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.

Regulatory changes with a significant impact on the models are monitored and analyzes in detail by the modeling teams. This is notably the case for the EBA Regulatory Technical Standards (RTS) on the new definition of default for which a global project is underway within the group to integrate the impacts on the models used and adapt operational processes.

Furthermore, 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.

IV-25 CR8 - 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 million of euros	RWA amounts	Capital requirements
RWA at 30/06/2019	**16,434**	**1,315**
Asset size	(209)	(17)
Asset quality	(29)	(2)
Model updates		
Methodology & policy		
Acquisitions and disposals		
Foreign exchange movements	28	2
Other		
RWA AT 30/09/2019	**16,223**	**1,298**

En millions d'euros	RWA amounts	Capital requirements
RWA at 30/09/2019	**16,223**	**1,298**
Asset size	749	60
Asset quality	(244)	(20)
Model updates		
Methodology & policy		
Acquisitions and disposals		
Foreign exchange movements	96	8
Other		
RWA AT 31/12/2019	**16,824**	**1,346**

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 foreign exchange rates fluctuations.

2.4.6 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.

IV-26 CR4 - STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
In Millions of euros	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	RWA	RWA density
Central governments or central banks	3,180	18	3,180	9	430	13.48%
Regional government or local authorities	39	131	39	66	21	20.00%
Public sector entities						100,00%
Multilateral development banks						
International organisations	15		15			
Institutions	1,555	28	1,555	13	490	31.25%
Corporates	5,762	486	5,578	174	5,750	99.97%
Retail	6,672	444	6,672	336	5,056	72.15%
Secured by mortgages on immovable property						
Exposures in default	88		75		93	123.05%
Higher-risk categories						
Covered bonds						
Institutions and corporates with a short-term credit assessment	115	32	115	8	154	125.03%
Collective investment undertakings	80		80		80	100.00%
Equity	221		221		547	247.92%
Other items	1,739	14	1 739	14	1,459	83.24%
TOTAL	**19,466**	**1,153**	**19,269**	**619**	**14,079**	**70.79%**

CRM: Credit Risk Mitigation.

CCF: Credit Conversion Factor

IV-27 CR5 - STANDARDIZED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	Risk weight							
Asset classes *in millions of euros*	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**75%**
Central governments or central banks	3,000						3	
Regional government or local authorities					105			
Public sector entities								
Multilateral development banks								
International organisations	15							
Institutions					1,234		181	
Corporatess					17		65	
Retail								7,008
Secured by mortgages on immovable property								
Exposures in default								
Higher-risk categories								
Covered bondss								
Inst. and corporates with a ST credit assessment					23		1	
Collective investment undertakings								
Equity								
Other items					367			
TOTAL	**3,016**				**1,745**		**251**	**7,008**

Risk weight								
100%	150%	250%	370%	1,250%	Others	Deducted	Total	of which unrated
19	8	159					3,189	
							105	105
							15	
153							1,568	1,269
5,572	98						5,752	5,670
							7,008	7,008
41	35						75	75
	99						123	99
80							80	80
3		217					221	221
1,386							1,753	1,753
7,253	**239**	**377**					**19,888**	**16,280**

2.4.7 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 take into account financial collateral (in the form of a cash pledge agreement) amounting to €700 million 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 2019 and after application of the discount relating to the asymmetry of currencies, the impact on the value of €722 million of exposures (corporate category only) totaled €692 million.

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 €197 million at the end of December 2019, reducing exposures to €35 million for the corporate category, and to €200 million for SMEs. This protection is allocated individually to each exposure concerned.

IV-28 CR7 - IRB – 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	189	189
EXPOSURES UNDER AIRB		
Central governments and central banks		
Institutions		
Corporates – SMEs	1,385	1,385
Corporates – Specialised lending		
Corporates – Other	4,305	4,305
Retail – Secured by real estate SMEs		
Retail – Secured by real estate non-SMEs		
Retail – Qualifying revolving		
Retail – Other SMEs	1,278	1,278
Retail – Other non-SMEs	9,667	9,667
Equity IRB		
Other non credit obligation assets		
TOTAL	**16,824**	**16,824**

2.4.8 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 agreement or equivalent 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. In Europe, 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. Foreign exchange derivatives uncollaterized are subject to bilateral margin call.
- 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 2019, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €117 million.

Exposure to counterparty credit risk

IV-29 CCR1 - ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

In millions of euros	Notional	Replacement cost/current market value	Potential future exposure	EEEPE	Multiplier	EAD post-CRM	RWA
Mark to market							
Original exposure							
Standardised approach		270				270	103
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							**103**

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.

IV-30 CCR3 – STANDARD APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

	Risk weight									
	0%	10%	20%	50%	75%	100%	150%	Autres	Total	Of which unrated
Central governments or central banks										
Regional governement or local authorities										
Public sector entities										
Multilateral development banks										
International organisations										
Institutions			21	74		5			101	5
Corporates										
Retail										
Inst. and corporates with a ST credit assessment			2						3	
Other items										
TOTAL			**23**	**75**		**5**			**103**	**5**

IV-31 CR5-A - 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	270	37	233	179	54
SFTs					
Cross-product netting					
TOTAL	**270**	**37**	**233**	**179**	**54**

IV-32 CCR5-B - COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

	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
In millions of euros	Segregated	Non-segregated	Segregated	Non-segregated		
Cash – domestic currency		179	62	10		
Cash – other currencies			4			
Domestic sovereign debt						
Other sovereign debt						
Government agency debt						
Corporate bonds						
Equity securities						
Other collateral						10
TOTAL		**179**	**66**	**10**		**10**

IV-33 CCR8 - EXPOSURES TO CCPS

In millions of euros	EAD (post- CRM)	RWA
EXPOSURES TO QCCPS (TOTAL)		**13**
Exposures for trades at QCCPs (excluding initial margin and default fund contributions)	4	1
(i) *of which OTC derivatives*	*4*	*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	62	
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) *(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		

2.5 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.

V-1 CCR2 - 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	270	158
Based on the original exposure method		
TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	**270**	**158**

2.6 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 €10,508 million on 31 December 2019 (€11,010 million on 31 December 2018), namely:

- for securitizations placed on the market: €1,913 million;
- for self-subscribed securitizations: €6,121 million;
- for private securitizations: €2,473 million.

The stock of securitized assets is itemized in Note 13 of the consolidated financial statements. At 31 December 2019, funding secured through private securitizations totaled €1,543 million, and funding secured through public securitizations placed on the markets totaled €1,700 million.

2.7 MARKET RISK

2.7.1 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.

2.7.2 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.

2.7.3 MEASUREMENT, MONITORING AND PRUDENTIAL TREATMENT

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

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.

2.7.4 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 2019, the RCI Banque group's consolidated foreign exchange position totaled €7 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.

2.8 INTEREST-RATE RISK FOR PORTFOLIO POSITIONS

2.8.1 ORGANIZATION OF INTEREST RATE RISK MANAGEMENT

The overall interest rate risk represents the impact of fluctuating rates on the economic value and future incomes. The objective of the RCI Banque group is to mitigate this risk as far as possible. 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.

2.8.2 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.

2.8.3 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.

Two indicators are monitored internally for interest rate risk:

- EV sensitivity (Economic Value) measures 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. The economic value is determined by discounting future cash flows at market rates. This measurement is used to set the limits that apply to the group's entities;
- Net Interest Income measures gains or losses following a shock of the interest rate curve, based on an income statement view. It is presented as the difference in future interest income over a defined horizon. The particularity of net interest income sensitivity, compared with the discounted vision of sensitivity, is the linearization of the impact of new transactions.

Two horizons are defined:

- 12-month sensitivity of the net interest income (NII – indicator framed by internal limits);
- sensitivity of the net interest income (NII) over the entire balance sheet schedule.

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 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.). Most of RCI's subsidiaries apply an early repayment rate calculated via a moving average based on historical observations over 12 months. Some subsidiaries apply a survival curve based on a statistical assessment.

In December 2019, the group Financial Committee validated the standardization of the methodology used to calculate early repayments at a rolling average over 12 months for the entire group.

To calculate interest rate risk measurement indicators, deposits are modeled as fixed-rate resources with an initial maturity of three months. The instantaneous duration is therefore approximately 1.5 months.

Measurements of NII sensitivity to calculate internal indicators, 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.

In accordance with regulatory changes (EBA/GL/2018/02), RCI Banque also measures the sensitivity of the Economic Value of Equity (EVE – indicator with internal alert thresholds and regulatory limits) via a standard indicator (+/-200 bps parallel) and a currency-differentiated indicator with six scenarios.

These regulatory indicators are computed quarterly and presented annually to the Financial Committee. They are reported in Statement VIIII-1 IRRBB1.

2.8.4 EXPOSURE

Over the year 2019, 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 millions of euros) at 31 December 2019:

- +€0.9 million in GBP;
- +€0.5 million in KRW;
- +€0.2 million in PLN;
- +€0.1 million in MAD;
- -€0.5 million in BRL;
- -€0.8 million in CHF;
- -€0.9 million in EUR.

At 31 December 2019, the sum of sensitivities in each currency totaled -€0.5 million, of which -€25.4 million for the 12-month NII. The sum of the absolute values of sensitivities in each currency totaled €4.4 million.

VIII-1 IRRBB1 - QUANTITATIVE INFORMATION ON CHANGES IN ECONOMIC VALUE OF EQUITY AND NET INTEREST INCOME UNDER EACH OF THE PRESCRIBED INTEREST RATE SHOCK SCENARIOS

31.12.2019	CRD 4: 200 bps standard shock	Supervisory outlier test: 200 bps standard shock	Supervisory outlier test: Currency adjusted shock					Internal indicators	
			Δ EVE with Floor						
KEURO	Δ EVE	Δ EVE	EUR	GBP	BRL	KRW	Total with CAP	NII 100 bps EUR [0 ; 12 months]	NII 100 bps EUR [0 ; 60 Months]
Parallel up	(433,064)	(414,539)	(326,502)	(68,961)	(31,957)	(25,333)	(452,754)	(25,768)	(552)
Parallel down	433,064	91,202	142,905	23,385	31,957	7,220	102,733		
Steepener			129,826	10,996	3,807	4,804	74,717		
Flattener			(146,692)	(23,661)	(10,301)	(9,788)	(190,441)		
Short rate up			(235,233)	(44,079)	(21,280)	(18,110)	(318,702)		
Short rate down			142,905	26,892	21,80	3,272	97,174		
Maximum	**433,064**	**414,539**	**326,502**	**68,961**	**31,957**	**25,333**	**452,754**	**25,768**	**552**
OWN FUNDS	**5,889,300**	**5,889,300**							
CET1							**5,349,700**		
EVE coverage ratio	**7.35%**	**7.04%**					**8.46%**		
Regulatory limit	20%	20%					15%		

The above calculations are based on the standardized assumptions published by the EBA (EBA/GL/2018/02). Pursuant to the methodology, the positive impacts of each interest rate scenario are weighted 50% and the negative impacts taken at 100%.

The impact of an adverse interest rate movement on the total net interest margin 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.

2.9 LIQUIDITY RISK

2.9.1 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.

2.9.2 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 (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 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.

2.9.3 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 controled 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.

2.9.4 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 2019 was €1,897 million. It amounted to €1,835 million on average during the 12-month period ending on 30 September 2019. They mainly consisted of deposits with the European Central Bank and securities issued by governments or supranationals. On 31 December 2019, the average duration of the bond portfolio was close to six months.

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 2019, EUR and GBP denominated HQLA represented on average 76.6% and 17.7% of total HQLA respectively. The weight of each currency remained stable compared to the averages of the 12-month period ending on September 2019, which were 77.9% for EUR and 15.6% 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 2019 came at 239%, compared to 249% on average over the 12-month period ending on 30 September 2019.

IX-1 LIQ1 - LIQUIDITY COVERAGE RATIO (LCR)

In millions of euros	Total unweighted value (average)				Total weighted value (average)			
Quarter ending on	**31/03/2019**	**30/06/2019**	**30/09/2019**	**31/12/2019**	**31/03/2019**	**30/06/2019**	**30/09/2019**	**31/12/2019**
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					**1,609**	**1,741**	**1,835**	**1,897**
Cash Outflows								
Retail deposits and deposits from small business customers	12,624	12,71	12,818	13,073	1,319	1,329	1,341	1,367
Stable deposits								
Less stable deposits	*12,624*	*12,71*	*12,818*	*13,073*	*1,319*	*1,329*	*1,341*	*1,367*
Unsecured wholesale funding	709	767	840	889	506	575	659	725
Operational deposits and deposits in networks of cooperative banks								
Non-operational deposits (all counterparties)	339	355	374	374	136	162	194	209
Unsecured debt	370	412	466	515	370	412	466	515
Secured wholesale funding					44	42	41	45
Additional requirements	173	268	445	619	173	179	203	228
Outflows related to derivative exposures and other collateral requirements	*173*	*170*	*177*	*187*	*173*	*170*	*177*	*187*
Outflows related to loss offunding on debt products								
Credit and liquidity facilities	*99*	*267*	*432*		*9*	*26*	*41*	
Other contractual funding obligations	1,523	1,471	1,383	1,312	463	451	460	472
Other contingent funding obligations	2,649	2,545	2,407	2,277	132	159	240	322
TOTAL CASH OUTFLOWS					**2,636**	**2,735**	**2,944**	**3,158**
Cash Inflows								
Secured lending (eg reverse rep os)								
Inflows from fully performing exposures	4,142	4,133	4,16	4,198	2,359	2,334	2,345	2,371
Other cash inflows	2,286	2,346	2,478	2,541	733	770	799	822
(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 credt institution)								
TOTAL CASH INFLOWS	**6,428**	**6,479**	**6,639**	**6,739**	**3,092**	**3,103**	**3,144**	**3,193**
Fully exempt inflows								
Inflows Subject to 90% Cap								
Inflows Subject to 75 Cap	*6,428*	*6,479*	*6,639*	*6,739*	*3,092*	*3,103*	*3,144*	*3,193*
TOTAL HQLA					**1,609**	**1,741**	**1,835**	**1,897**
TOTAL NET CASH OUTFLOWS					**659**	**690**	**743**	**796**
Liquidity Coverage Ratio					**245%**	**253%**	**249%**	**239%**

(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 2019, the median amount of assets encumbered in the form of disposals to a securitization vehicle or guarantee given is €8,330 million, making up 14% of total assets.

IX -2 AE1 - ENCUMBERED AND UNENCUMBERED ASSETS

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of un-encumbered assets		Fair value of un-encumbered assets	
In millions of euros		o w notionally elligible EHQLA and HQLA		o w notionally elligible EHQLA and HQLA		o w notionally elligible EHQLA and HQLA		o w notionally elligible EHQLA and HQLA
ASSETS OF THE REPORTING INSTITUTION	**8,33**				**47,913**	**1,948**		**1,948**
Loans on demand	526				2,018	884		884
Equity instruments	17		17		48		48	
Debt securities	73		73		3,28	1,064	3,28	1,064
• *Of which: covered bonds*								
• *Of which: asset-backed securities*								
• *Of which: issued by general governments*	*2*		*2*		*917*	*886*	*917*	*886*
• *Of which: issued by financial corporations*	*23*		*23*		*2,475*	*70*	*2,475*	*70*
• *Of which: issued by non-financial corporations*	*48*		*48*		*64*		*64*	
Loans and advances other than loans on demand	7,621				39,769			
Other assets	93				2,799			

IX-3 AE2 - COLLATERAL RECEIVED

In millions of euros	F V o f encumbered collateral received or own debt securities issued	ow notionally elligible EHQLA and HQLA	F V of collateral received or own debt securities issued available for encumbrance	o w notionally elligible EHQLA and HQLA
COLLATERAL RECEIVED BY THE REPORTING INSTITUTION			**971**	
Loans on demand			874	
Equity instruments				
Debt securities				
• *Of which: covered bonds*				
• *Of which: asset-backed securities*				
• *Of whichissued by general governments*				
• *Of which: issued by financial corporations*				
• *Of which: issued by non-financial corporations*				
Loans and advances other than loans on demand				
Other assets			96	
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 8,330				

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

IX-4 AE3 - 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	**5,845**	**8,242**
Derivatives	90	73
Deposits	2,453	3,264
Debt securities issued	3,302	4,906
Other sources of encumbrance		

2.10 OPERATIONAL AND NON-COMPLIANCE RISKS

2.10.1 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 management rules rolled out in all consolidated subsidiaries of RCI Banque group. This mapping is regularly updated by the Business Line divisions, assessed annually by the process owners, and subject to first and second level controls;
- 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 immediate communication of incidents to the Executive Committee, the Board of Directors, the French Prudential Supervision and Resolution Authority (ACPR) and the European Central Bank;
- key risk indicators (alert thresholds and limits) used to anticipate the occurrence of certain main 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 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. 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 threats (cybercrime, frauds...) in order to reduce IT-related risks (systems shutdown, data loss, 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 and operations 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, in accordance with best practices, European Banking Authority guidelines and under European Central Bank supervision;
- 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, Standards, 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 (examples: websites, mobile applications) and internal risks;
- a Disaster Recovery Plan in place and regular tests of the plan, including the issue of cyber-risks.
- a device and the animation of method correspondents, business lines and IT managers, rolled-out throughout the group;
- a group process for managing and registering outsourced services, including the various dimensions related to this risk (governance, security, etc.).

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.

These plans are part of the RCI crisis management process, which ensures coordination with the various business lines (including IS), subsidiaries and branches, RCI partners and regulators (ACPR/ECB, CNIL, etc.).

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 the group in the "C2" (main) data center and the "C3" (backup) data center enables to guarantee the highest level of protection and uptime for our systems and applications.

Security requirements and controls are managed on both internal and outsourced information systems, starting with calls for tenders and contracts for outsourced services (for all services and all subsidiaries/branches).

Personal data protection related risks

Risk factors

The EU General Data Protection Regulation (GDPR) which came into effect on 25 May 2018 applies 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.

2.10.2 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.

2.10.3 EXPOSURE TO THE RISK AND CALCULATION OF REQUIREMENTS

Operational risk is treated by the standardized method.

The capital requirement calculation is based on restated average net banking income observed over the last three 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.

X-1 OPERATIONAL RISK

In millions of euros	Commercial banking	Retail banking	Total
3 years average NBI - other operating expenses excluded	1,150	1,132	2,282
Value at risk in standardized method	2,156	1,698	3,854
Own funds requirements	**172**	**136**	**308**

X-2 OR 2 BUSINESS INDICATOR AND SUBCOMPONENTS

	Business indicator / subcomponent		
In millions of euros	31/12/2019	31/12/2018	31/12/2017
INTERESTS	**1,465**	**1,404**	**1,235**
• *Of which Interest income*	*2,240*	*2,142*	*2,033*
• *Of which Interest expense*	*(780)*	*(743)*	*(803)*
• *Of which Dividend income*	*6*	*4*	*5*
SERVICES	**462**	**423**	**281**
• *Of which Fee income*	*745*	*674*	*607*
• *Of which Fee expense*	*(234)*	*(212)*	*(210)*
• *Of which Other operating income*	*523*	*486*	*359*
• *Of which Other operating expense*	*(572)*	*(524)*	*(475)*
FINANCIAL	**(28)**	**8**	**8**
• *Of which Net P&L on Trading Book*	*(21)*	*7*	*(2)*
• *Of which Net P&L on Banking Book*	*(8)*	*1*	*9*

2.10.4 INSURANCE OF OPERATIONAL RISKS

Damage to property and business interruption

The French and British 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;
- installation of backups in the event of business interruption, as group production is highly dependent on the serviceability of its computer systems.

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.

Since 1st January 2018, Renault s.a.s. has taken out a Cyber Risks insurance policy for itself and on behalf of its subsidiaries.

2.11 OTHER RISKS

2.11.1 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.

XI-1 BREAKDOWN OF RESIDUAL VALUES RISK CARRIED BY THE RCI BANQUE GROUP

	Residual values						Provision for residual values					
In millions of euros	2019	2018	2017	2016	2015	2014	2019	2018	2017	2016	2015	2014
CORPORATE SEGMENT:	**208**	**216**	**263**	**247**	**123**	**28**	**19**	**17**	**26**	**12**	**4**	**1**
France												
European Union (excluding France)	205	211	256	237	117	28	19	17	26	12	4	1
Europe excluding European Union	-	-	-	-	-	-	-	-	-	-	-	-
RETAIL SEGMENT:	**1,727**	**1,728**	**1,719**	**1,652**	**1,525**	**884**	**40**	**44**	**41**	**24**	**11**	**4**
European Union (excluding France)	1,681	1,679	1,682	1,626	1,501	884	36	40	38	22	8	4
TOTAL RISK ON RESIDUAL VALUES	**1,935**	**1,944**	**1,981**	**1,899**	**1,649**	**912**	**59**	**61**	**67**	**36**	**15**	**6**

XI-2 RESIDUAL VALUES RISK NOT CARRIED BY THE RCI BANQUE GROUP

	Residual Values				
In millions of euros	2019	2018	2017	2016	2015
Corporate and Retail segments:					
Commitments received from the Renault Group	4,678	3,998	3,502	2,943	2,344
Commitments received from others (Dealers and Customers)	4,666	3,732	2,954	2,128	1,574
TOTAL RISK ON RESIDUAL VALUES	**9,344**	**7,730**	**6,456**	**5,071**	**3,918**

2.11.2 INSURANCE RISK

The main risks for insurance intermediation activity are the risk of a defective partnership not identified, the non-compliance of the products distribution and the inadequacy of the products.

For insurance and reinsurance activities of RCI group's insurance companies, the main risks are linked to the subscription, the technical balance of the products (claims increase, early redemptions, lack of provisioning...) and the investment policy (liquidity risk, counterparty risk...).

These risks are managed, followed and steered in Solvency II regulatory framework. They are subject to a yearly ORSA report (Own Risk and Solvency Assessment).

The group makes a strict selection of contracts and has underwriting guides.

2.11.3 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.

2.11.4 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 €221 million at end December 2019 against €223 million at end 2018.

The main variations are due to:

- the increase in valuation of the share in entities consolidated by the equity method for +€46 million;
- the sale of mobility startups (Flit Technologies – including Yuso, Marcel, RCI Mobility, Class & Co SAS and iCabbi) for -€48 million.

2.12 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 II-1
1b		Part II-2
1c		Part II-1+3
1d		Part IV-2+7 + V + X-4
1e		Part II-1
1f		Part II-3
2a-d		Part II-2
2e		Part II-1+2+3
Article 436	Scope of application	
a-b		Part III-1
c		Part III-2
d		Part III-1
e		Part III-2
Article 437	Own funds	
1a-e		Part III-3
1f		NA own funds determined on the CRR basis only
Article 438	Capital requirements	
a		Part III-5
b		NA no supervisory requirement
c-d		Part IV-4
e		NA no capital required for market risk
f		Part III-4
Article 439	Exposure to counterparty credit risk	
a-d		Part IV-8
e-f		Part V
g-i		NA credit derivative hedges not used
Article 440	Capital buffers	Part III-2
Article 441	Indicators of global systemic importance	Part III-2
Article 442	Credit risk adjustments	Part IV-1
Article 443	Unencumbered assets	Part IX-4
Article 444	Use of ECAIs	Part IV-6
Article 445	Exposure to market risk	Part VII
Article 446	Operational risk	Part X-3
Article 447	Exposures in equities not included in the trading book	
a-b		Part XI-4
c-e		NA no exchange-traded exposure

CRR	Purpose	Consistency
Article 448	Exposure to interest rate risk on positions not included in the trading book	Part VIII
Article 449	Exposure to securitization positions	Part VI
Article 450	Remuneration policy	Part II-5
Article 451	Leverage	
1a-c		Part III-6
1d-e		Part III-7
Article 452	Use of the IRB Approach to credit risk	
a		Part IV-5
b. i		Part IV-5 (d-iii)
b. ii		Part IV-5 (a+f)
b. iii		Part IV-7
b. iv		Part IV-5 (g)
c		Part IV-5 (d+e)
d-f		Part IV-5 (c)
g-h		Part IV-5 (e)
i-j		Part IV-5 (d+e)
Article 453	Use of credit risk mitigation techniques	Part IV-7
Article 454	Use of the Advanced Measurement Approaches to operational 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 III-3

2.13 TABLES

Part	Ref	Title
I-1		Key figures and ROA
II-2		Positions held by the members of the Board of Directors
III-1	LI1	LI1 – Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories
III-1	LI2	LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements
III-1	LI3	LI3 – Outline of the differences in the scopes of consolidation (entity by entity)
III-2	CCC1	CCC1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer
III-2	CCC2	CCC2 – Amount of institution-specific countercyclical capital buffer
III-3		Main characteristics of equity instruments
III-3	FP1	FP1 – Breakdown of regulatory capital by category
III-4	OV1	OV1 – Overview of RWA
III-6	LRSum	LRSum – Summary reconciliation of accounting assets and leverage ratio exposures
III-6	LRCom	LRCom – Leverage ratio
III-6	LRSpl	LRSpl – Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)
III-6	LRQua	LRQua – Statement of qualitative elements
IV-1	CR3	CR3 – Credit risk mitigation techniques – overview
IV-1	CRB-B	CRB-B – Total and average net amount of exposures
IV-1	CRB-C	CRB-C – Geographical breakdown of exposures
IV-1	CRB-D	CRB-D – Concentration of exposures by industry or counterparty types
IV-1	CRB-E	CRB-E – Maturity of exposures
IV-1	CR1-A	CR1-A – Credit quality of exposures by exposure class and instrument
IV-1	CR1-B	CR1-B – Credit quality of exposures by industry or counterparty types
IV-1	CR1-C	CR1-C – Credit quality of exposures by geographical area
IV-1	CRD1-D	CRD1-D Ageing of past due exposure
IV-1	CR1-E	CR1-E Non performing and forborne exposure
IV-1		Credit quality of forborne exposures
IV-1		Credit quality of non-performing exposures by past due days
IV-1		Performing and non-performing exposures and related provisions
IV-1		Collateral obtained by taking possession and execution processes
IV-1	CR2-A	CR2-A – Changes in the stock of general and specific credit risk adjustments
IV-1	CR2-B	CR2-B – Changes in the stock of defaulted and impaired loans and debt securities
IV-5-c	CR6	CR6 IRB approach – Credit risk exposures by portfolio and PD range
IV-5-d		Segmentation of exposures by the advanced method and average PD by country
IV-5-d		History of default rates per class
IV-5-d		The Consumer PD model for Germany end December 2017
IV-5-d	CR9	CR9 – IRB approach – Backtesting of PD per exposure class
IV-5-e		Segmentation of exposures by the advanced method and average LGD by country
IV-5-g	CR8	CR8 – RWA flow statements of credit risk exposures under the IRB approach
IV-6	CR4	CR4 – Standardized approach – Credit risk exposure and Credit Risk Mitigation (CRM) effects
IV-6	CR5	CR5 – Standardized approach – Exposures by asset classes and risk weights
IV-7	CR7	CR7 – IRB – Effect on RWA of credit derivatives used as CRM techniques
IV-8	CCR1	CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach
IV-8	CCR3	CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights

Part	Ref	Title
IV-8	CCR5-A	CCR5-A – Impact of netting and collateral held on exposure values
IV-8	CCR5-B	CCR5-B – Composition of collateral for exposures to CCR
IV-8	CCR8	CCR8 – Exposures to CCPs
V	CCR2	CCR2 – Credit valuation adjustment (CVA) capital charge
VIII-4	IRRBB1	IRRBB1 – Quantitative information on changes in Economic Value of Equity and net interest income under each of the prescribed interest rate shock scenarios
IX-4	LIQ1	LIQ1 – Liquidity Coverage Ratio (LCR)
IX-4	AE1	AE1 – Encumbered and unencumbered assets
IX-4	AE2	AE2 – Collateral received
IX-4	AE3	AE3 – Encumbered assets/collateral received and associated liabilities
X-3		Operational risk
X-3	OR2	OR2 Business indicator and subcomponents
XI-1		Breakdown of residual values risk carried by the RCI Banque group
XI-1		Residual values risk not carried by the RCI Banque group

CHAPTER 3

REPORT ON **CORPORATE GOVERNANCE**

3.1 ORGANIZATION OF THE RCI BANQUE GROUP

The aim of the organization implemented 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:

3.1.1 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.

3.1.2 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.

3.1.3 SUPERVISION

At 31 December 2019, the Board of Directors, supervisory body, was supported by four committees: a Risk Committee, an Accounts and Audit Committee, a Remunerations Committee and an Appointments Committee.

In accordance with a decision taken by the Board of Directors on 5 December 2019, the Strategic Committee was discontinued.

3.2 BODIES AND PEOPLE INVOLVED

3.2.1 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.

3.2.1.1 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.

3.2.1.2 Composition of the Board of Directors

At 31 December 2019, the Board of Directors of RCI Banque comprised five directors.

BOARD OF DIRECTORS AS AT 31 DECEMBER 2019

	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 Director	21 November 2014	May 2020	• Spain: Renault España S.A. – Director • France: Renault SA – Chief Executive Officer • France: Renault Venture Capital – Chairman • France: Mobilize Invest – Chairman • France: Alstom – Director • Netherlands: Alliance Rostec Auto BV – Member of the Management Board	1	0.001
• Philippe Buros	Director	10 July 2019	May 2025	• Spain: Recsa - Chairman of the Board of Directors • France: Renault España S.A. – Director • France: Carizy – Director • Fnce: Renault Retail Group – Director		
• Laurent David	Director	10 July 2019	May 2025			
• Isabelle Landrot	Director	22 May 2018	May 2024	• Australia: Vehicle Distributors Australia Pty Ltd. – Director • China: Renault Beijing Automotive Co, Ltd. – Director • China: PMEV – Director • Hong Kong: Renault Asia Pacific Pty Ltd. – Director		
• Isabelle Maury	Director	5 December 2019	May 2024	• France: SCI Belisa – Manager • France: Caisse de Crédit Mutuel de Verneuil sur Seine – Chair of the Supervisory Board • France: IM7 Consulting – Chairwoman		

OTHER CORPORATE OFFICERS AT 31 DECEMBER 2019

	Corporate office	Appointment or renewal dat	Expiry date	List of all corporate appointments held
• João Miguel Leandro	Chief Executive Officer	23 July 2019	unlimited	• Spain: Overlease – Director representing RCI Banque • France: DIAC – Chairman of the Board of Directors • Netherlands: RN SF – Director • Russia: ooo RN Finance – Director • Turkey: Orfin – Director • Turkey: Orf – Director representing Diac

	Corporate office	Appointment or renewal dat	Expiry date	List of all corporate appointments held
• François Guionnet	V.P., Territories and Performance Deputy Chief Executive Officer	8 February 2019	unlimited	• Brazil: Banco RCI Brasil – Chairman of the Board of Directors • France: Diac Location – Director • France: Rugby Club Massy Essonne – Chairman & Chief Executive Officer • Hungary: RCI Zrt – Director • Morocco: RCI Finance – Director • Romania: RCI Leasing Romania IFN – Director • Switzerland: RCI Finance - Chairman of the Board of Directors • Turkey: Orfin – Director
• Jean-Marc Saugier	V.P., Finance and Treasury Deputy Chief Executive Officer	8 February 2019	unlimited	• Argentina: Rombo Compania Financiera – Director • Brazil: Banco RCI Brasil – Director • Colombia: RCI Servicios Colombia – Director • Colombia: RCI Comp de Financiero – Director • France: SCI JAF – Manager

SHAREHOLDER AS AT 31 DECEMBER 2019

	Corporate office	Appointment or renewal date	Expiry date	List of all corporate appointments held	Number of shares held	% shareholding
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. Independent Director does not just mean a non-executive director, i.e. one who does not hold a management position within the RCI group, but one that is also free from any particular ties (majority shareholder, employee, other) with the group"; the activities with the Renault-Nissan Alliance do not constitute particular ties, in accordance with the specified qualification criteria. On this basis, it has identified three directors as independent as recommended by the Appointments Committee dated 26 June 2019.

At 31 December 2019, the Board of Directors of RCI Banque consisted of three women and two 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.

3.2.1.3 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 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 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.

3.2.1.4 Activity of the Board of Directors during the 2019 financial year

The Board of Directors met six times during the 2019 financial year:

- on 8 February 2019, the Board in particular examined the business report, approved the corporate and consolidated financial statements to 31 December 2018, and approved the 2019 budget. As recommended by the Appointments Committee, the Board appointed François Guionnet and Jean-Marc Saugier as Deputy Chief Executive Officers. On recommendation by the Remunerations Committee, the Board confirmed the RCI group variable remuneration mechanism for the 2019 financial year. On recommendation by the Risks Committee, it approved the report on compliance with alert thresholds and limits associated with the level of risk appetite;
- on 12 April 2019, the Board acknowledged the resignation of three directors (Farid Aractingi, Jean-Christophe Kugler and Gianlucca de Ficchy), approved the 2018 Internal Control report, took note of the measures taken by the Risk Committee as part of the delegation granted for the analysis and approval of specific procedures, assumptions and ICAAP and ILAAP results, approved the "Capital Adequacy Statement" and the "Liquidity Adequacy Statement" and granted a delegation of signature regarding these two statements at the recommendation of the Risk Committee;
- on 24 May 2019, the Board appointed Jean-Louis Labauge as group Compliance Officer, and put forward the appointment of Philippe Buros and Laurent David as directors as recommended by the Appointments Committee;
- on 23 July 2019, the Board appointed a new Secretary of the Board, reviewed the business report and approved the consolidated half-year financial statements to 30 June 2018, noted the reforms pertaining to the interest rate indices and the potential impacts of the disappearance of the Libor and Euribor reference rates, and approved the risk mitigation actions. On recommendation by the Appointments Committee, it approved the definition of Independent Director, their identification on the Board, and approved for 2020 a goal and policy on balanced representation by directors of each sex on the Board of Directors. It also approved the updates to the "Aptitude policy for the Senior Management of RCI Banque: members of the senior management team and holders of key positions". The Board also approved the report on the assessment of RCI Senior Management. As recommended by the Appointments Committee, it appointed João Miguel Leandro as S.V.P., Chief Executive Officer and renewed the terms of office of François Guionnet and Jean-Marc Saugier as Deputy Chief Executive Officers. Furthermore, it approved the report on combating money laundering and the financing of terrorism – LCB/FT;
- on 1st October 2019, the Board authorized the issue of fixed-term subordinated bonds up to a total principal amount of €850 million for a one-year term, and proposed to the general meeting that it grant a delegation of authority to carry out a capital increase of a maximum amount of four hundred million euros in cash for a twelve-month period;

- on 5 December 2019, the Board notably approved the changes made to the "Risk Appetite Framework", as well as the recovery plan based on the recommendation of the Risk Committee; approved the 2019 remuneration policy for risk-takers as proposed by the Remuneration Committee. It noted the refinance transactions carried out to the end of November 2019 and the finance plan set for 2020; it then authorized issues for 2020 and renewed the corresponding delegations of power through to 31 December 2020. The Board also approved the updates to the ILAAP governance procedure and the ICAAP strategic rating procedure, and decided to pay a dividend of €450 million euros to Renault s.a.s., company shareholder. It co-opted Isabelle Maury as director, and decided to discontinue its Strategic Committee.

The director attendance rate at these meetings was 98% 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. One meeting was held at the head office of the 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.

3.2.1.5 Special Committees of the Board of Directors

The **Accounts and Audit Committee** met three times in 2019. 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 2019. Its main duties were to review risk mapping and validate the definition of risks, and to analyze and validate 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 twice in 2019. Its main duty was to review the RCI Banque group's remuneration policy and variable component system for 2019. 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 five times in 2019. 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 three times in 2019. Its main duties were to analyze the rollout of the strategic plan, and to examine and approve various strategic projects. The Board of Directors decided to discontinue this Committee on 5 December 2019.

3.2.2 SENIOR MANAGEMENT

3.2.2.1 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.

As of 31 December 2019, the Senior Management and effective management of the company (within the meaning of Article L.511-13 of the French Monetary and Financial Code) are carried out under the responsibility of João Miguel Leandro, Chief Executive Officer, François Guionnet, Deputy Chief Executive Officer and V.P., Territories and Performance, and Jean-Marc Saugier, Deputy Chief Executive Officer and V.P., Finance and Treasury.

The Chief Executive Officer 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 Chief Executive Officer has the authority to grant sub-delegations or substitute powers of attorney for one or more specified transactions or categories of transactions.

However, the Chief Executive Officer 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 Chief Executive Officer has the same powers as the Chief Executive Officer with regard to third parties.

3.2.2.2 Executive Committee

RCI Banque's Executive Committee contributes to forming RCI Banque's policy and strategy.

As at 31 December 2019, it comprises, Chief Executive Officer (João Miguel Leandro), V.P., Territories and Performance and Deputy Chief Executive Officer (François Guionnet), V.P., Finance and Treasury and Deputy Chief Executive Officer (Jean-Marc Saugier), Compliance Officer (Jean-Louis Labauge), V.P., Human Resources and Communication (Hélène Tavier), Director of Marketing and Strategy (Frédéric Schneider), V.P., Accounting and Performance Control (Stéphane Johan), V.P., Customers and Operations (Marc Lagrené), V.P., Information Systems (Umberto Marini) and Head of Risk Management (Patrick Claude).

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

- 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.

3.3 SPECIAL TERMS AND CONDITIONS FOR SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

(Articles 27 to 33 of the Articles of Association)

The provisions of the Articles of Association regarding the terms and conditions for shareholder participation at general meetings are published in the General Information section.

3.4 RELATED-PARTY AGREEMENTS

No agreements likely to result in the special application of Article L.225-38 of the French Commercial Code were entered into during the 2019 financial year.

3.5 SUMMARY TABLE OF CURRENT DELEGATIONS WITHIN THE MEANING OF ARTICLE L.225-37-4 3° OF THE FRENCH COMMERCIAL CODE

Corporate body	Transaction concerned	Maximum amount	Term of the delegation	Implementation of the delegation
Board of Directors meeting of 1st October 2019	Capital increase in cash	€400,000,000	12 months	None


CHAPTER
4

CONSOLIDATED FINANCIAL STATEMENTS

4.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended 31st December 2019

Statutory auditors' report on the consolidated financial statements

To annual general meeting of RCI Banque,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of RCI Banque for the year ended 31st December 2019.

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 2019 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 2019 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 matter

We draw your attention to the following matter described in Note 3.A to the consolidated financial statements relating to changes in accounting policy which describes the application of IFRS 16 "Lease" as of 1st January 2019. Our opinion is not modified in respect of this matter.

Justification of Assessment – 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 accounting standard IFRS 9

Risk identified	Our audit response

The Group RCI Banque recognizes impairment losses to cover the risk of non-recovery of loans granted to customers and car dealers. Since January 1st, 2018, RCI Banque 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 proven credit risk.
We consider the calculation of expected credit losses 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.
The expected credit losses are presented in the Note 7 to the consolidated financial statements and are of M€ 882 with receivables of M€ 52 691.
	As part of our audit of RCI Banque's consolidated financial statements, our review of the construction and implementation of models for calculating expected credit losses on the dealer network mainly consisted in:
	• Examining the methodological principles followed for the constructions of the modems, in order to verify their accordance, for the significant aspects, with the principles of IFRS 9;
	• Appreciating the established governance for any change of the parameters or key assumptions applied to these models;
	• Carrying out an assessment on: the key controls, the IT applications, the Retail and Wholesale credit portfolio accounting and split per bucket, the quality of the interface of the IT application which serves 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 models;
	• Retail Scope:
	  ◦ testing for a representative sample of retail credits 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;
	• Wholesale Scope:
	  ◦ re-performing the « Expected Credit Losses » calculation for Germany, Brazil, Spain, France, Italy and United Kingdom as at 31st December 2019;
	• challenging and evaluating the methodology used to determine the "forward-looking" impact, including the assumptions used to establish macroeconomics scenarios, to measure the weigthing of those scenarios and their incidences on risk parameters;
	• conducting analytical procedures on the evolution of the credit portfolio and related credit risk provisions;
	• appreciating the appropiateness of the information presented in paragrapher E and the Note 7 in 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 2019, KPMG S.A. and ERNST & YOUNG Audit were in the 6th year and 40th year of total uninterrupted engagement.

Responsabilities 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' responsabilities for the audit of the consolidated financial statements

Objectives and audit approach

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

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

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

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

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, on the 6th March 2020

The statutory auditors

French original signed by

KPMG S.A.	ERNST & YOUNG Audit
Valéry Foussé	Luc Valverde

4.2 CONSOLIDATED FINANCIAL STATEMENTS

4.2.1 BALANCE SHEET

ASSETS

In millions of euros	Notes	12/2019	12/2018
Cash and balances at central banks	2	1,527	2,040
Derivatives	3	177	123
Financial assets at fair value through other comprehensive income	4	1,364	902
Financial assets at fair value through profit or loss	4	105	166
Amounts receivable at amortized cost from credit institutions	5	1,279	1,033
Loans and advances at amortized cost to customers	6 and 7	50,582	46,587
Current tax assets	8	16	26
Deferred tax assets	8	171	145
Tax receivables other than on current income tax	8	245	208
Adjustment accounts and other assets	8	1,069	953
Investments in associates and joint ventures	9	142	115
Expenses related to operating lease transactions	6 and 7	1,227	974
Tangible and intangible non-current assets	10	92	39
Goodwill	11	84	83
TOTAL ASSETS		**58,080**	**53,394**

LIABILITIES

In millions of euros	Notes	12/2019	12/2018
Central Banks	12.1	2,700	2,500
Derivatives	3	92	82
Amounts payable to credit institutions	12.2	2,780	2,431
Amounts payable to customers	12.3	18,605	16,781
Debt securities	12.4	24,016	23,509
Current tax liabilities	14	129	124
Deferred tax liabilities	14	588	472
Taxes payable other than on current income tax	14	33	24
Adjustment accounts and other amounts payable	14	1,895	1,543
Provisions	15	185	148
Insurance technical provisions	15	488	460
Subordinated debt	17	867	13
Equity		5,702	5,307
• *Of which equity - owners of the parent*		*5,649*	*5,262*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*4,271*	*3,923*
Unrealized or deferred gains and losses		*(339)*	*(333)*
Net income for the year		*903*	*858*
• *Of which equity - non-controlling interests*		*53*	*45*
TOTAL LIABILITIES		**58,080**	**53,394**

4.2.2 CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2019	12/2018
Interests and similar incomes	25	2,196	2,095
Interest expenses and similar charges	26	(744)	(702)
Fees and commission income	27	605	545
Fees and commission expenses	27	(234)	(213)
Net gains (losses) on financial instruments at fair value through profit or loss	28	22	(31)
Income of other activities	29	1,028	977
Expense of other activities	29	(777)	(741)
NET BANKING INCOME		**2,096**	**1,930**
General operating expenses	30	(585)	(565)
Depreciation, amortization and impairment of tangible and intangible non-current assets		(18)	(10)
GROSS OPERATING INCOME		**1,493**	**1,355**
Cost of risk	31	(177)	(145)
OPERATING INCOME		**1,316**	**1,210**
Share in net income (loss) of associates and joint ventures	9	21	15
Gains less losses on non-current assets		(2)	
Impact of profit & loss for subsidiaries in hyperinflation context		(8)	(10)
PRE-TAX INCOME(1)		**1,327**	**1,215**
Income tax	32	(392)	(333)
NET INCOME		**935**	**882**
Of which Comprehensive income attributable to non-controlling interests		32	24
Of which equity-owners of the parent		903	858
Number of shares		1,000,000	1,000,000
Net Income per share(2) in euros		**902.52**	**857.80**
Diluted earnings per share in euros		**902.52**	**857.80**

(1) 2018 pre-tax income was impacted in the amount of -€29.1 million by mobility start-ups (current operations) and in the amount of +€20.8 million (current operations and disposal to Renault MAI) in 2019.
(2) Net income - Owners of the parent compared to the number of shares.

4.2.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	12/2019	12/2018
NET INCOME	**935**	**882**
Actuarial differences on post-employment benefits	(10)	2
Total of items that will not be reclassified subsequently to profit or loss	*(10)*	*2*
Unrealized P&L on cash flow hedge instruments	(14)	3
Exchange differences	15	(65)
Total of items that will be reclassified subsequently to profit or loss	*1*	*(62)*
Other components of comprehensive income	(9)	(60)
TOTAL COMPREHENSIVE INCOME	**926**	**822**
Of which Comprehensive income attributable to non-controlling interests	29	25
Of which Comprehensive income attributable to owners of the parent	897	797

4.2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital[1]	Attribut. reserves[2]	Consolid. reserves	Translation adjust[3]	Unrealized or deferred gains or losses[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 2017	**100**	**714**	**3,421**	**(251)**	**(21)**	**721**	**4,684**	**35**	**4,719**
Appropriation of net income of previous year			721			(721)			
Restatement of opening equity			(82)				(82)	(7)	(89)
Equity at 1 January 2018	**100**	**714**	**4,060**	**(251)**	**(21)**		**4,602**	**28**	**4,630**
Change in value of financial instruments recognized in equity					(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			(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**
Appropriation of net income of previous year			858			(858)			
Equity at 1 January 2019	**100**	**714**	**4,781**	**(313)**	**(20)**		**5,262**	**45**	**5,307**
Change in value of financial instruments recognized in equity					(10)		(10)	(4)	(14)
Actuarial differences on post-employment benefits					(10)		(10)		(10)
Exchange differences				14			14	1	15
Net income for the year (before appropriation)						903	903	32	935
Total comprehensive income for the period				**14**	**(20)**	**903**	**897**	**29**	**926**
Effect of acquisitions, disposals and other			(2)				(2)	(1)	(3)
Dividend for the year[5]			(500)				(500)	(11)	(511)
Repurchase commitment of non-controlling interests			(8)				(8)	(9)	(17)
Equity at 31 December 2019	**100**	**714**	**4,271**	**(299)**	**(40)**	**903**	**5,649**	**53**	**5,702**

(1) The share capital of RCI Banque S.A. (€100 million) consists of 1,000,000 fully paid up ordinary shares with a par value of €100 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 2019 relates primarily to Argentina, Brazil, South Korea, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco. The change in translation adjustments at 31 December 2018 relates primarily to Argentina, Brazil, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for -€18 million and IAS 19 actuarial gains and losses for -€22 million at end-December 2019.

(5) Payment to the shareholder Renault of the balance of the dividend on 2018 earnings in the amount of €50 million and an interim dividend of €450 million on 2019 earnings by deduction from equity – owners of the parent.

4.2.5 CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	12/2019	12/2018
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**903**	**858**
Depreciation and amortization of tangible and intangible non-current assets	17	9
Net allowance for impairment and provisions	92	158
Share in net (income) loss of associates and joint ventures	(21)	(15)
Deferred tax (income)/expense	98	50
Net loss/gain from investing activities	7	4
Net income attributable to non-controlling interests	32	24
Other (gains/losses on derivatives at fair value through profit or loss)	30	(12)
CASH FLOW	**1,158**	**1,076**
Other movements (accrued receivables and payables)	53	(222)
TOTAL NON-MONETARY ITEMS INCLUDED IN NET INCOME AND OTHER ADJUSTMENTS	**308**	**(3)**
Cash flows on transactions with credit institutions	557	337
• Inflows/outflows in amounts receivable from credit institutions	(52)	100
• Inflows/outflows in amounts payable to credit institutions	609	237
Cash flows on transactions with customers	(2,554)	(2,957)
• Inflows/outflows in amounts receivable from customers	(4,210)	(3,963)
• Inflows/outflows in amounts payable to customers	1,656	1,006
Cash flows on other transactions affecting financial assets and liabilities	105	2,833
• Inflows/outflows related to AFS securities and similar	(432)	228
• Inflows/outflows related to debt securities	406	2,355
• Inflows/outflows related to collection	131	250
Cash flows on other transactions affecting non-financial assets and liabilities	(38)	
NET CHANGE IN ASSETS AND LIABILITIES RESULTING FROM OPERATING ACTIVITIES	**(1,930)**	**213**
NET CASH GENERATED BY OPERATING ACTIVITIES (A)	**(719)**	**1,068**
Flows related to financial assets and investments	81	(69)
Flows related to tangible and intangible non-current assets	(14)	(19)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES (B)	**67**	**(88)**
Net cash from/(to) shareholders	339	(150)
• Redemption of capital instruments and repayment of subordinated loans	850	
• Dividends paid	(511)	(163)
• Changes in cash flows related to non-controlling interests		13
NET CASH FROM/(USED BY) FINANCING ACTIVITIES (C)	**339**	**(150)**
EFFECT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION ON CASH AND EQUIVALENTS (D)	**(10)**	**(13)**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(323)**	**817**
Cash and cash equivalents at beginning of year:	2,792	1,975
• Cash and balances at central banks	2,018	1,303
• Balances in sight accounts at credit institutions	774	672
Cash and cash equivalents at end of year:	2,469	2,792
• Cash and balances at central banks	1,494	2,018
• Credit balances in sight accounts with credit institutions	1,110	916
• Debit balances in sight accounts with credit institutions	(135)	(142)
CHANGE IN NET CASH[(1)]	**(323)**	**817**

(1) The rules for determining cash and cash equivalents are presented in Section 6.3.19.

4.3 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 fully paid up share capital of €100,000,000. It is subject to all legislation and regulations applicable to credit institutions and is listed on the Bobigny Register of Trade and Companies under number 306 523 358.

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

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

The consolidated financial statements of groupe RCI Banque S.A. as at 31 December relate to the company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

4.3.1 APPROVAL OF FINANCIAL STATEMENTS – DISTRIBUTIONS

Groupe RCI Banque consolidated accounts at 31 December 2019 were approved by the Board of Directors' meeting on 5 February 2020 and will be put before the annual general meeting of 20 May 2020 for its approval.

Groupe RCI Banque consolidated financial statements for the year ended 31 December 2018 were approved by the Board of Directors at its meeting of 5 February 2019 and by the annual general meeting of 22 May 2019. It was decided to pay shareholders a dividend of €200 million, or €200 per share. An interim dividend of €150 million was paid to the shareholder Renault in 2018. The balance of €50 million was paid in 2019.

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

4.3.2 KEY HIGHLIGHTS

Changes in the scope of consolidation in 2019

- Brexit: the exit of the United Kingdom from the European Union did not result in the recognition of provisions for liabilities and charges by groupe RCI Banque at 31 December 2019. To anticipate the consequences of Brexit, from 14 March 2019, all of the activities of the RCI Bank UK Branch were transferred to a new entity, RCI Services UK Limited, a credit institution, and a wholly owned subsidiary of RCI Holding.
- Full consolidation as of 31 October 2019 of RCI Brasil Serviços Participações Ltda, which is wholly owned. This entity's main activity is the sale of maintenance contracts.
- Hyperinflation: Argentina once again experienced hyperinflation in 2018. As groupe RCI Banque has subsidiaries there, its impact is thus included at end-December 2019 in the result under inflation exposure.
- Refinancing: RCI Banque made an issue on the bank subordinated debt market, in the callable Tier 2 format, in an amount of €850 million.
- New issues of Securitization Mutual Funds: on 29 May 2019 the FCT Cars Alliance Auto Loans Germany V 2019-1 issued senior debt securities in the amount of €950 million and subordinate debt securities in the amount of €25.7 million, rated AAA(sf)/Aaa(sf) and AA (high)(sf)/Aa2(sf) respectively by DBRS and Moody's.
- In December 2019, RCI Banque sold all its interests in the non-consolidated "mobility companies", namely iCabbi, Flit technologies, Class & co, Marcel and RCI Mobility, to Renault MAI.

The impact on profit of the disposal of mobility start-ups is presented in the table below:

In millions of euros	Notes	2019	2018
Profit or loss before tax		**1,326.8**	**1,215.3**
Charge to provisions for equity interests	28	(21.1)	(29.1)
Reversal of provision for equity interests[1]		55.2	
Charge to provisions for start-up loans		(31.0)	
Reversal of provision for start-up loans		31.0	
Loan waiver-Marcel	31	(11.4)	
Capital gains/losses on equities		(1.8)	
Impact of disposal of mobility start-up[2]		***20.8***	***(29.1)***
PRE-TAX INCOME EXCLUDING IMPACT OF DISPOSAL OF START-UPS[3]		**1,306.0**	**1,244.4**

(1) Shares in entities sold were subject to impairment of €5m in 2017, €29.1m in 2018 and €21.1m in 2019.
(2) The impact of mobility start-ups on pre-tax income was €20.8m in 2019 and -€29.1m in 2018.
(3) Excluding impact of start-ups, pre-tax income grew by €62m.

4.3.3 ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, groupe RCI Banque has prepared its consolidated financial statements for 2019 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) at 31 December 2019 and as adopted in the European Union by the statement closing date.

4.3.3.1 Changes in accounting policies

Groupe RCI Banque applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2019.

New regulations that must be applied at 1 January 2019

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendment to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendment to IFRS 9	Prepayment Features with Negative Compensation
Amendment to IAS 19	Plan Amendment, Curtailment or Settlement
Annual improvements to IFRS – 2015-2017 cycle	Miscellaneous provisions concerning: ● amendments to IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements" entitled "Remeasurement of previously held interests"; ● amendments to IAS 12 "Income Taxes" entitled "Accounting for income tax consequences of payments on financial instruments classified as equity"; ● amendments to IAS 23 "Borrowing Costs" entitled "Borrowing costs eligible for capitalization".

Changes relating to the application of IFRS 23 and 16 are given below.

Other standards and amendments that must be applied from 1 January 2019 have no significant effect on the group's financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments"

The entry into force of IFRIC 23 "Uncertainty over Income Tax Treatments" did not result in the identification of situations calling into question the accounting positions taken in the financial statements closed on 31 December 2019. To assess the provisions for uncertain tax positions, the group uses an individual evaluation method generally based on the most probable amount.

IFRS 16 "Leases"

IFRS 16 "Leases" was published in the Official Journal of the European Union on 9 November 2017. It was applied in the consolidated financial statements of groupe RCI Banque from 1 January 2019. The new standard replaces IAS 17 "Leases" and the related IFRIC and SIC interpretations. It removes the distinction previously made between operating leases and finance leases for lessees.

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 over the lease term and the obligation to make lease payments, initially measured at the present value of the lease payments payable over the lease term, is discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is to be used.

The changes resulting from the adoption of IFRS 16 have been applied retrospectively in the 2019 financial statements. The 2018 consolidated financial statements presented for comparison have not been restated for the application of IFRS 16, and are therefore identical to the financial statements published in 2018 prepared using the accounting principles then in force, as they resulted from IAS 17.

Groupe RCI Banque only applies IFRS 16 to its material leases, namely property leases. It therefore elected to apply the following exemptions and simplification measures for the transition:

- exclusion of short-term leases (initial term equal to or less than 12 months) and those relating to low-value assets;
- exclusion of the initial direct costs arising from the measurement of the right-of-use asset during the transition;
- exclusion of moveable property leases insofar as they are not material.

The term of the lease corresponds to the non-cancellable period during which the lessee has the right to use the leased property, to which are added renewal options that the group is reasonably certain of exercising.

On the balance sheet at 1 January 2019, lease liabilities correspond to the present value of lease payments yet to be made, determined using the incremental borrowing rate at 31 December 2018 defined in accordance with the remaining term of the lease. For simplicity, the incremental borrowing rate, calculated by currency area, corresponds to the risk-free rate prevailing in the relevant area, plus the group's risk premium for the local currency. The weighted average incremental borrowing rate applied to lease liabilities as of 1 January 2019 was 2.35%.

Right-of-use assets were measured as of 1 January 2019 at an amount equal to the value of lease liabilities as of that date adjusted for any rents paid in advance or payable recognized in the statement of financial position relative to those leases as of 31 December 2018.

The explanation of the difference between the lease liability recognized on the date of first-time application, and the operating lease commitments presented in the Notes to the consolidated financial statements at 31 December 2018 in accordance with IAS 17, in thousands of euros, is as follows:

In thousands of euros	01/2019
Off-balance sheet commitments relating to operating leases at 31 December 2018	53,223
Exclusion due to low value (outside scope of IFRS 16 and term = < 12 months)	(3,620)
Effect of discounting leases	(5,680)
Effects related to deferrals of the effective date	4,813
Other effects(1)	6,544
LEASE LIABILITIES AS OF 1 JANUARY 2019	**55,279**

(1) This amount corresponds to a re-estimate of the non-cancellable period on United Kingdom real estate leases from 10 years to 14 years.

The leases capitalized under IFRS 16 are real estate leases as specified above. All such transactions are carried out in the normal course of our business.

The impact attributable to first time application of IFRS 16 on the items of the consolidated financial position on January 1, 2019 are summarized as follows:

In thousands of euros	01/2019
RIGHT-OF-USE OF LEASED ASSETS (NON-CURRENT ASSET)	**55,944**
Prepaid expenses (prepaid on lease liability)	665
AMORTIZED COST: OTHER DEBTS ON LEASED ASSETS (NOTE 10)	**55,279**

The changes between opening and December 31, 2019 are presented in this table:

In thousands of euros	01/2019	increase	decrease	other	12/2019
RIGHT-OF-USE OF LEASED ASSETS	**55,944**	**2,329**		**(24)**	**58,249**
Gross value	55,944	2,329		(24)	58,249
Amortization of the right-of-use		(7,876)		(30)	(7,906)
AMORTIZED COST: OTHER DEBTS ON LEASED ASSETS	**55,279**	**2,329**	**(4,916)**	**(56)**	**52,636**

As of December 31, 2019, the expenses relating to leases recognized in accordance with IFRS 16 were as follows:

In thousands of euros	12/2019
Interest expenses on lease liabilities	(1,018)
Amortization of the right-of-use	(7,876)

Note that the amount of rent not activated under IFRS 16 is € 8 million in the income statement.

The breakdown of future flows relating to lease liabilities by maturity is as follows:

Lease liability at 12/31/2019 *(in thousands of euros)*	< 3 months	3 to 12 months	1 year to 5 years	> 5 years
52,636	2,280	6,326	28,555	15,475

IFRS 17 "Insurance Contracts"

In addition, the group is currently looking into the new IFRS 17 "Insurance Contracts".

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

IFRS 17 Insurance Contracts was published on 18 May 2017 by the IASB. Subject to its adoption by the European Union, it will become effective in 2022. It replaces the current IFRS 4.

At this stage, the group is not planning to apply this standard early.

4.3.3.2 Consolidation principles

Scope and methods of consolidation

The consolidated financial statements incorporate the accounts of companies over which the group directly or indirectly (subsidiaries and branches) exercises control, within the meaning of IFRS 10 (associate companies or joint control - joint ventures).

Associate companies and joint ventures are accounted for under the equity method (IFRS 11).

The securitized assets of Diac SA, RCI FS Ltd, 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 groupe RCI Banque, 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 securities and goodwill (or gain on acquisition under favorable conditions)

Goodwill is measured at the acquisition date, as the excess of:

- the total amount transferred, measured at fair value, and any equity investment that does not give a controlling interest in the acquired company; and
- the net carrying amounts of identifiable assets acquired and liabilities assumed.

Costs related to the acquisition such as broker's commissions, advisory fees, legal, accounting, valuation and other professional and consulting fees, are recorded as expenses for the periods when costs are incurred and services received.

Debt issuance or equity costs are accounted for under IAS 32 and IFRS 9.

If the business combination generates negative goodwill, the relevant amount is immediately recognized in profit or loss.

An impairment test is performed at least annually and whenever there is an indication of a loss in value, by comparing the book value of the assets with their recoverable amount, the latter being the highest value between the fair market value (after deducting the cost of disposal) and the going concern value. The value-in-use is based on a market approach and determined by using multiples for each group of cash-generating units, which comprise legal entities or groups thereof in the same country. A single discounting value is used for all cash-generating units thus tested, which is the risk-free 10-year forward rate augmented by the average risk premium for the sector in which they operate.

One-year data projections about profit or loss are used.

Goodwill is therefore measured at its cost less any accrued impairment losses. If impairment is found, the impairment loss is recognized in the income statement.

Transactions with non-controlling interests (purchases/sales) are booked as capital transactions. The difference between the amount received or paid and the book value of the non-controlling interests sold or bought is recognized directly in equity.

Non-controlling interests

The group has granted buy-out commitments on the interests held by minority shareholders in fully consolidated subsidiaries. For the group, these buy-out commitments represent contractual obligations arising from the sales of put options. The exercise price for these options is determined by estimating the price the groupe RCI Banque would have to pay out to the non-controlling interests if the options were exercised, taking into account future returns on the financing portfolio existing at the closing date and the provisions set out in the cooperation agreements concerning the subsidiaries.

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities in a total amount of €151 million at 31 December 2019, compared with €140 million at 31 December 2018. This liability is initially measured at the present value of the estimated exercise price of the put options.

The counterpart entries for this liability are booked as decreases in the non-controlling interests underlying the options and, for the balance, a decrease in equity attributable to the owners of the parent company. The obligation to recognize a liability even though the put options have not been exercised means that, in order to be consistent, the group has initially applied the same accounting treatment as that applied to increases in its interests in controlled entities.

If the options have not been exercised when this commitment expires, the previous entries are reversed. If the options are exercised and the buyout is made, the amount recognized as a liability is extinguished by the cash outlay associated with the buy-out of the non-controlling interests.

4.3.3.3 Presentation of the financial statements

The summary statements are presented in the format recommended by the Autorité des Normes Comptables (French Accounting Standards Authority - ANC) in its Recommendation no. 2017-02 of 14 June 2017 on the format of consolidated financial statements for banking sector institutions applying international accounting standards.

Operating income includes all income and expense directly associated with groupe RCI Banque operations, whether these items are recurring or result from one-off decisions or transactions, such as restructuring costs.

4.3.3.4 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.

4.3.3.5 Loans and advances to customers and finance leases

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 leases, as identified by the rules described in section 3.3.6, 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".

Identification of credit risk

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

- a group-wide rating for borrowers in the Dealer network, 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

Groupe RCI Banque uses the definition given by the European Banking Authority (EBA) in ITS (Implementing Technical Standards) 2013/03 rev1 of 24 July 2014 to identify its forborne exposures (restructured loans).

Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

It thus refers to cases where there is:

- a modification of the terms and conditions of a contract in order to give the customer in financial difficulties the chance to meet their commitments (such as a change to the number of repayments, extension of term, change to installment amount, change to customer interest rate);
- a total or partial refinancing of a troubled debt contract (instead of terminating it) that would not have been granted had the customer not been in financial difficulties.

The classification of contracts as forborne exposures is separate from provisioning (for example, a contract that is forborne and returns to being considered as performing will not be provisioned and yet will be classified as a forborne exposure throughout the probation period).

Receivables whose characteristics have been commercially renegotiated with counterparties not in financial difficulties are not identified as forborne exposures.

The definition of forborne exposure is applied at the level of the individual contract ("facility") that is forborne, and not at the level of the third party (no contagion principle).

Financial difficulties however, are assessed at the debtor level.

The forbearance classification of a contract is discontinued when all of the following conditions are met:

- the contract is considered as performing and analysis of the financial condition of the debtor shows that they have recovered their creditworthiness and debt service ability;
- a minimum two-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

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 an impairment loss 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 an impairment loss representing expected credit losses for the full term.

Definition of Expected Credit Loss

IFRS 9 defines the ECL as the discounted expectation of 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 groupe RCI Banque can be given in generic form as follows:

$$ECL_{Maturity} = \sum_{i=1\ month}^{M\ month} EAD_i * PD_i^9 * ELBE_D^9 * \frac{1}{(1+t)^{i/12}}$$

With:

- **M** = maturity;
- **EAD$_i$** = exposure expected at the time of default in the relevant year (taking into account any early repayments);
- **PD^9_i** = probability of default during the relevant year;
- **ELBEE^9_O** = 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 groupe RCI Banque, 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 discounted at the date of the report at the effective interest rate (EIR) 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 the notion of forward looking into the credit risk-related expected loss (ECL) calculation. Through this notion, new requirements in terms of monitoring and measuring credit risk are introduced with the use of forward-looking data, in particular 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 approach (three scenarios). 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 interest rates) and sector-based data are used to attach a probability of occurrence to each scenario and thus get the final forward-looking amount.

Definition of default used at RCI Banque

The definition of the risk of default under IAS 39 is not affected by IFRS 9. RCI accordingly intends to retain its definitions of doubtful and compromised receivables when establishing its B3 bucketing.

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:

- immaterial differences between the two notions;
- continuity in the doubtful debt base between IAS 39 and IFRS 9.

As a reminder, with respect to the "Customer" business, a receivable is considered as doubtful as soon as:

- one or more installments have remained unpaid for at least three months;
- or the deterioration in the counterparty's financial circumstances translates into a risk of non-collection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets, or in the event of summons to appear before an international court;
- or there are litigation proceedings between the establishment and its counterparty.

With respect to the Dealer business, the definition of default is covered by a specific procedure based on:

- the existence of an installment that has remained unpaid for more than three months (or first unpaid instalment on a forborne exposure);
- the existence of a collective procedure;

- the presence of indicators that express uncertainty as to future payment such as financial contract end, actual fraud, etc.

As a reminder: Compromised receivables are doubtful loans for which the likelihood of collection is remote and that are expected to be written off.

A receivable is classified as compromised when the counterparty is declared to have defaulted, or in leasing, when the lease agreement is terminated, and in any event, one year at the latest after the receivable has been classified as doubtful.

If after a receivable has been reclassified as sound, the debtor does not meet the payment deadlines set, that receivable is immediately downgraded to compromised receivable status.

Note that the rebuttable presumption of significant deterioration if a loan is 90 days past due offered by IFRS 9 matches the current definition of default within groupe RCI Banque. Consequently, the group has decided not to refute this presumption and to consider that all facilities with payments that are more than 90 days past due are in Bucket 3.

Purchased or originated credit impaired loans (POCI): these financial assets, which are credit-impaired at the time of their creation (loans to a doubtful dealer for example) are treated differently, as they are impaired at initial recognition. Such transactions are classified in Bucket 3 at initial recognition.

Within the groupe RCI Banque, this category mainly concerns the Dealer customer base, which may continue to receive financing even when the dealer has been classified as defaulted. This category of receivables must be kept to a minimum and is subject to Risk Committee agreement.

The acquisition of receivables (doubtful or sound) is not part of the groupe RCI Banque's business model.

The following are not included as receivables in default:

- disputed receivables: receivables where the customer refuses to make payment further to a dispute over interpretation of the clauses in the contract (if the customer's financial situation does not seem to be compromised);
- customers with negotiable payment terms if, and only if, there is no doubt that the debt will be collected;
- receivables that are affected by a country risk only: a receivable should not be considered as doubtful just because a country risk exists.

Rules for writing off loans

The rules on write-offs are detailed in IFRS 9 § 5.4.4: the gross book value of a financial asset is reduced when there is no reasonable expectation of the outstanding amount being repaid. RCI group subsidiaries must remove from the financial statements the amount due from the counterparty on an account in loss, and resume the associated depreciation when the unrecoverable nature of receivables is confirmed and so at the latest when its rights as creditor are extinguished.

In particular, receivables become irrecoverable and thus removed from the accounts if they:

- have been abandoned through negotiation with the customer in particular as part of an insolvency plan;
- are time-barred;
- have been the subject of an unfavorable court ruling (negative result of legal proceedings or litigation);
- concern a customer that has disappeared.

Impairment of residual values

Groupe RCI Banque 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 at 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.

4.3.3.6 "Operating leases" (IFRS 16) as lessor

In accordance with IFRS 16, groupe RCI Banque makes a distinction between finance leases and operating leases as lessor. The new standard does not imply any change for the lessor compared with the standard it supersedes, namely IAS 17.

The general principle that groupe RCI Banque uses to classify leases as one or the other is still whether the risks and rewards incidental to ownership are transferred to another party. Thus, leases under which the leased vehicle will be bought back by a groupe RCI Banque 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 groupe RCI Banque 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 groupe RCI Banque 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".

4.3.3.7 Transactions between groupe RCI Banque 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.

Groupe RCI Banque 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 2019, groupe RCI Banque had provided €21,443 million in new financing (cards included), compared with €20,970 million at 31 December 2018.

Relations with the dealer network

Groupe RCI Banque acts as a financial partner to ensure and maintain the sound financial health of the Renault-Nissan Alliance distribution networks.

At 31 December 2019, dealer finance net of impairment allowances amounted to €11,645 million, compared with €10,887 million at 31 December 2018.

At 31 December 2019, €874 million was finance directly granted to subsidiaries or branches of Groupe Renault, compared with €791 million at 31 December 2018.

At 31 December 2019, the dealer network had received, as business introducers, remuneration of €964 million, compared with €854 million at 31 December 2018.

Relations with the car makers

Groupe RCI Banque 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 groupe 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 groupe RCI Banque. In the year ended 31 December 2019, this contribution amounted to €643 million, compared with €633 million in the year ended 31 December 2018.

4.3.3.8 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 measured at fair value through P&L.

Shares in companies neither controlled nor under significant influence also come into this category and are measured through P&L.

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; at 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.

4.3.3.9 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

Intangible assets are mainly software, amortized on a straight-line basis over three years.

4.3.3.10 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 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 groupe 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.

4.3.3.11 Pension and other post-employment benefits (IAS 19)

Overview of plans

Groupe RCI Banque 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.

Groupe RCI Banque affiliates that use external pension funds are RCI Financial Services Ltd, RCI Financial Services BV and RCI Finance SA.

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 expensed in the year in which they occur.

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.

4.3.3.12 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 Reporting in Hyperinflationary 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 financial statements. As the currency is suffering from hyperinflation, the conversion rate is devaluing; restatements made in local accounts partially neutralize, in the consolidated financial statements, the impacts of such devaluation. For Argentine companies, a revaluation has been made in the income statement in accordance with the IPC indicator. The counterparty for revaluation restatement due to hyperinflation is given in the result as inflation exposure.

4.3.3.13 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.

4.3.3.14 Financial liabilities

Groupe RCI Banque 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.

4.3.3.15 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 groupe RCI Banque 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.

4.3.3.16 Derivatives and hedge accounting

Risks

Groupe RCI Banque'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.

Groupe RCI Banque 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 variable/pay fixed swap, enabling them to be backed by fixed rate assets (macro-hedge from an 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 groupe RCI Banque 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.

Interest rate hedging relationships

Groupe RCI Banque will apply the amendments to IAS 39, IFRS 9 and IFRS 7 relating to interest rate benchmark reform from 31 December 2019.

The early application of these amendments, namely the "IBOR reform and its effects on financial reporting – Phase 1", in the consolidated financial statements of groupe RCI Banque bears on interest rate hedging relationships: cash flow hedging or fair value hedging. During the period of uncertainty generated by the replacement of a benchmark rate, these amendments allow us notably:

- to consider that the uncertainty stemming from benchmark reform does not call into question the "highly probable" nature of cash flows covered within the framework of cash flow hedging relationships;
- and to ignore the uncertainty around new benchmarks when measuring the ineffectiveness of cash flow hedging or fair value relationships.

Among the variable rate benchmarks it uses in interest rate hedging relationships, the group has identified those that are subject to the current reform, namely EONIA, EURIBOR, LIBOR GBP and LIBOR CHF.

- Groupe RCI Banque has documented a cash flow hedging relationship including EONIA in a nominal amount of €100 million. However, this hedging relationship matures prior to December 2021, the scheduled date of the discontinuation of the listing. The group therefore considers that there is no uncertainty concerning this benchmark.
- ESMA (European Security and Market Authority) has validated compliance of the new EURIBOR determination methodology with the Benchmark Regulation. As such, the RCI group considers that there is no uncertainty as to the future of this benchmark. Groupe RCI Banque has qualified interest rate swaps indexed on EURIBOR in cash flow hedging relationships in the amount of €6,420 million and in fair value hedging relationships in the amount of €7,475 million.
- The RCI group considers that the amendment applies to interest rate hedging relationships involving LIBOR GBP and LIBOR CHF, the method and date of replacement of these benchmarks as part of interest rate benchmark reform not yet being fully defined. As of 31 December 2019, groupe RCI Banque qualified interest rate swaps in fair value relationships in the amount of CHF300 million (variable rate indexed on LIBOR CHF) and £100 million (variable rate indexed on LIBOR GBP) and in cash flow relationships in the amount of £140 million (variable rate indexed on LIBOR GBP).

The application of these amendments has no impact on the financial statements, but allows the interest rate hedging relationships documented by the group to be maintained at 31 December 2019.

4.3.3.17 Operating segments (IFRS 8)

Segment reporting is presented in the annual financial statements in accordance with IFRS 8 "Operating Segments".

RCI Banque is tasked with offering a comprehensive range of financing products and services to its two core markets: end Customers (Retail and Corporate) and the Renault, Nissan, Dacia, Samsung and Datsun brands Dealer network. These two segments have different expectations, needs and demands, and so each require a specific approach in terms of marketing, management processes, IT resources, sales methods and communication. Adjustments have been made to the group's organization to make it consistent with these two types of customer, to strengthen its management and support role and to increase its integration with Renault and Nissan, especially with respect to sales and marketing aspects.

In accordance with IFRS 8, segmentation by market has therefore been adopted as the operating segmentation method. This is in line with the strategic focus developed by the company. The information presented is based on internal reports sent to the group Executive Committee, identified as the "chief operating decision maker" under IFRS 8.

A breakdown by market is thus provided for the main income statement as well as for average performing loan outstandings in the corresponding periods.

Since 1 January 2009, as decided by the Executive Committee, the formerly separate Retail and Corporate segments have been consolidated into the single "Customer" segment. The breakdown of operating segments as required by IFRS 8 has followed the same segmentation.

The Dealer segment covers financing granted to the Renault-Nissan Alliance Dealer network. The Customer segment covers all financing and related services for all customers other than Dealers. Results are presented separately for each of these two market segments. Refinancing and holding activities are grouped together under "Other activities".

Renault, Nissan, Dacia, Samsung and Datsun sales financing activities have been combined.

Business	Customers	Dealer network
Lending	✓	✓
Finance Lease	✓	N/A
Operating Lease	✓	N/A
Services	✓	N/A

4.3.3.18 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 correspond 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 Accordingly, IBNR reserves will always be sufficient, even in the case of a highly adverse future scenario.

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 groupe RCI Banque appear in the income statement in "Net income of other activities" and "Net expense of other activities".

4.3.3.19 Cash flow statement

The cash flow statement is presented on the basis of the indirect method model.

The operating activities are representative of the RCI group's income-generating activities.

Tax flows are presented with operating activities in full.

Investing activities represent cash flows for the acquisition and disposal of interests in consolidated and non-consolidated companies, and non-current tangible and intangible assets.

Financing activities result from changes related to transactions bearing on the financial structure of equity and long-term borrowings.

Net cash includes cash, receivables and debts with central banks, as well as accounts (assets and liabilities) and sight loans with credit institutions.

4.3.4 ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

In a mixed economic environment, RCI Banque continues to implement a prudent financial policy and reinforces its liquidity management and control system.

Liquidity

RCI Banque pays great attention to diversifying its sources of access to liquidity. Since the start of the financial crisis, the company has largely diversified its sources of funding. In addition to its traditional bond investor base in euros, new investment areas have also been successfully worked.

By extending the maximum maturities of its issues in Euros to eight years, new investors looking for longer-term assets have been reached. In addition, the group has been active on bond markets in multiple currencies (EUR, CHF, BRL, KRW, MAD, 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 five 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 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 by the Financial Committee every month;
- **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 systematically monitor risk and instant projected margin indicators, 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.

Furthermore, to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque invests in liquid assets as defined in the European Commission's Delegated Act. These liquid assets mainly consist of deposits with the European Central Bank and securities issued by governments or supranational issuers held directly. The average duration of the securities portfolio was about six 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

Over the course of 2019, the major central banks announced more accommodating monetary policy measures than anticipated by the markets at the beginning of the year.

In the United States, the Federal Reserve reduced its key interest rates three times, thereby taking the Fed Funds target to between 1.50% and 1.75%.

The European Central Bank restarted its asset purchasing program, which it had ended in 2018, at a monthly pace of €20 billion. It also announced a new long-term refinancing operation (TLTRO III)[1]. Furthermore, it reduced the rate on its deposit facility by 0.10% to -0.50% and introduced a two-tier system for remunerating excess reserve requirements with a view to reducing the share of deposits in the banking system carrying negative rates.

The Bank of England's base rate remained unchanged throughout the year at 0.75%.

The central banks' change in tone regarding monetary policies had an impact on investor perception of risk and drove the rise in the equity markets[2] and the tightening of credit spreads[3].

Eurozone rates fell steadily until early September, before a partial upturn towards the end of the year. Following a historic low in September of -0,54%, the 5-year swap rate ended the year at -0.10%, 30 bps lower than in December 2018.

4.3.5 REFINANCING

RCI Banque issued the equivalent of €2.9 billion on the public bond market in senior format. The group successively launched a fixed rate issue of €750 million over five and a half years, a dual-tranche issue for €1.4 billion (€750 million at a fixed rate over four years, €650 million at a fixed rate over seven years), and €600 million at a fixed rate over three and a half years. At the same time, the company issued a 5-year fixed rate CHF200 million bond, a transaction that enabled it to both diversify its investor base and fund assets in that currency.

Furthermore, RCI Banque completed a Tier 2 subordinated debt issue in the amount of €850 million. This issue, with a contractual duration of ten years, can be redeemed after five years and will improve the solvency ratio.

On the secured funding segment, RCI Banque sold a public securitization backed by auto loans in Germany for €975.7 million, split between €950 million of senior securities and €25.7 million of subordinated securities.

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

Retail customer deposits have increased by €1.8 billion since December 2018 and totaled €17.7 billion at 31 December 2019, representing 35% of net assets at end-December.

These resources, to which should be added, based on the European scope, €4.5 billion in undrawn confirmed credit lines, €2.5 billion in assets eligible as collateral in ECB monetary policy operations, €2.2 billion in High Quality Liquid Assets (HQLA) and €0.5 billion in financial assets, enable RCI Banque to maintain the financing granted to its customers for almost 12 months without access to external sources of liquidity.

4.3.6 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 groupe RCI Banque is subject to compliance with the solvency ratio and liquidity ratios, Risk division ratio and balance sheet balancing (leverage ratio).

At 31 December 2019, the ratios calculated do not reveal any non-compliance with regulatory requirements.

(1) Targeted Longer-Term Refinancing Operations.

(2) Euro Stoxx 50 +24%

(3) Iboxx Eur Non Financials -39 bp

4.3.7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SEGMENT INFORMATION

1.1 SEGMENTATION BY MARKET

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

In millions of euros	Customers	Dealer network	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

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 groupe RCI Banque'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	Net loans outstandings at year-end(1)	of which Customer outstandings at year-end(1)	of which net Dealer network outstandings at year-end
EUROPE	**2019**	**45,413**	**34,488**	**10,925**
	2018	41,832	31,668	10,164
of which Germany	**2019**	**8,418**	**6,805**	**1,613**
	2018	7,472	6,097	1,375
of which Spain	**2019**	**4,797**	**3,762**	**1,035**
	2018	4,464	3,637	827
of which France	**2019**	**15,579**	**11,788**	**3,791**
	2018	14,324	10,664	3,660
of which Italy	**2019**	**6,297**	**4,946**	**1,351**
	2018	5,821	4,450	1,371
of which United Kingdom	**2019**	**4,781**	**3,800**	**981**
	2018	4,680	3,780	900
of which other countries(2)	**2019**	**5,541**	**3,387**	**2,154**
	2018	5,071	3,040	2,031
AFRICA, MIDDLE-EAST, INDIA AND PACIFIC	**2019**	**2,168**	**2,036**	**132**
	2018	2,071	1,948	123
of which South Korea	**2019**	**1,605**	**1,588**	**17**
	2018	1,578	1,565	13
AMERICAS	**2019**	**3,145**	**2,572**	**573**
	2018	2,769	2,182	587
of which Argentina	**2019**	**189**	**97**	**92**
	2018	314	185	129
of which Brazil	**2019**	**2,470**	**2,038**	**432**
	2018	2,112	1,699	413
of which Colombia	**2019**	**486**	**437**	**49**
	2018	343	298	45
EURASIA	**2019**	**318**	**303**	**15**
	2018	258	245	13
TOTAL RCI BANQUE GROUP	**2019**	**51,044**	**39,399**	**11,645**
	2018	46,930	36,043	10,887

(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	12/2019	12/2018
CASH AND BALANCES AT CENTRAL BANKS	**1,494**	**2,018**
Cash and balances at central banks	1,494	2,018
TERM DEPOSITS AT CENTRAL BANKS	**33**	**22**
Accrued interest	33	22
TOTAL CASH AND BALANCES AT CENTRAL BANKS	**1,527**	**2,040**

NOTE 3 DERIVATIVES

In millions of euros	12/2019 Assets	12/2019 Liabilities	12/2018 Assets	12/2018 Liabilities
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNIZED AS DERIVATIVES HELD FOR TRADING PURPOSES	**3**	**16**	**21**	**14**
Interest-rate derivatives	1	5	2	4
Currency derivatives	2	11	19	10
FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNIZED AS DERIVATIVES USED FOR HEDGING	**174**	**76**	**102**	**68**
Interest-rate and currency derivatives: Fair value hedges	162	3	89	6
Interest-rate derivatives: cash flow hedges	12	73	13	62
TOTAL DERIVATIVES*	**177**	**92**	**123**	**82**

* *Of which related parties* 2

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 2017	**(9)**	**(4)**	**(5)**	
Changes in fair value recognized in equity	(6)			
Transfer to income statement	5			
AMOUNT AT 31 DECEMBER 2018	**(10)**	**(3)**	**(7)**	
Changes in fair value recognized in equity	(19)			
Transfer to income statement	9			
BALANCE AT 31 DECEMBER 2019	**(20)**	**(3)**	**(17)**	

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 to 5 years	> 5 years	Total 12/2019	Related parties
HEDGING OF CURRENCY RISK					
Forward forex contracts					
Sales	1,192			1,192	
Purchases	1,178			1,178	
Spot forex transactions					
Loans	111			111	
Borrowings	111			111	
Currency swaps					
Loans	113	103		216	
Borrowings	116	101		217	
HEDGING OF INTEREST-RATE RISK					
Interest rate swaps					
Lender	6,969	10,603	2,000	19,572	
Borrower	6,969	10,603	2,000	19,572	

In millions of euros	< 1 year	1 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	

NOTE 4 FINANCIAL ASSETS

In millions of euros	12/2019	12/2018
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**1,364**	**902**
Government debt securities and similar	1,066	617
Bonds and other fixed income securities	297	284
Interests in non-consolidated companies	1	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**105**	**166**
Variable income securities	22	16
Bonds and other fixed income securities	80	98
Interests in non-consolidated companies	3	52
TOTAL FINANCIAL ASSETS*	**1,469**	**1,068**
* *Of which related parties*	*4*	*53*

In December 2019, RCI Banque sold all its interests in the non-consolidated "mobility companies", namely ICabbi, Flit technologies, Class & Co, Marcel and RCI Mobility, to Renault MAI.

NOTE 5 AMOUNTS RECEIVABLE AT AMORTIZED COST FROM CREDIT INSTITUTIONS

In millions of euros	12/2019	12/2018
CREDIT BALANCES IN SIGHT ACCOUNTS AT CREDIT INSTITUTIONS	**1,110**	**916**
Ordinary accounts in debit	1,073	881
Overnight loans	37	35
TERM DEPOSITS AT CREDIT INSTITUTIONS	**169**	**117**
Term loans in Bucket 1	109	37
Term loans in Bucket 2	60	80
TOTAL AMOUNTS RECEIVABLE FROM CREDIT INSTITUTIONS*	**1,279**	**1,033**
* *Of which related parties*	*60*	*80*

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 - Securitization Mutual Funds) contribute in part to the funds' credit enhancement. They totaled €540 million at year-end 2019 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	12/2019	12/2018
LOANS AND ADVANCES TO CUSTOMERS	**50,582**	**46,587**
Customer Loans	37,143	34,858
Finance leases	13,439	11,729
EXPENSES RELATED TO OPERATING LEASE TRANSACTIONS	**1,227**	**974**
TOTAL CUSTOMER FINANCE TRANSACTIONS AND SIMILAR	**51,809**	**47,561**

The gross value of forborne exposures, further to measures and concessions made towards borrowers experiencing financial difficulty (or likely to experience financial difficulty in the future), came to €127 million and was impaired by €47 million at 31 December 2019.

6.1 CUSTOMER FINANCE TRANSACTIONS

In millions of euros	12/2019	12/2018
LOANS AND ADVANCES TO CUSTOMERS	**37,243**	**35,047**
Healthy factoring	502	541
Factoring with a significant increase in credit risk since initial recognition	44	37
Other healthy commercial receivables	3	2
Other healthy customer credit	33,598	31,269
Other customer credit with a significant increase in credit risk since initial recognition	2,005	2,273
Healthy ordinary accounts in debit	617	484
Defaulted receivables	474	441
INTEREST RECEIVABLE ON CUSTOMER LOANS AND ADVANCES	**91**	**83**
Other non-defaulted customer credit	46	42
Non-defaulted ordinary accounts	41	37
Defaulted receivables	4	4
TOTAL OF ITEMS INCLUDED IN AMORTIZED COST - CUSTOMER LOANS AND ADVANCES	**447**	**323**
Staggered handling charges	(61)	(52)
Staggered contributions to sales incentives by manufacturer or dealers	(542)	(549)
Staggered fees paid for referral of business	1,050	924
IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS	**(638)**	**(595)**
Impairment on healthy receivables	(119)	(125)
Impairment on receivables with a significant increase in credit risk since initial recognition	(120)	(113)
Impairment on defaulted receivables	(320)	(281)
Impairment on residual value	(79)	(76)
TOTAL CUSTOMER FINANCE TRANSACTIONS, NET	**37,143**	**34,858**

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and 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 LEASES

In millions of euros	12/2019	12/2018
FINANCE LEASE TRANSACTIONS	**13,605**	**11,917**
Other healthy customer credit	12,140	10,292
Other customer credit with a significant increase in credit risk since initial recognition	1,277	1,455
Defaulted receivables	188	170
ACCRUED INTEREST ON FINANCE LEASE TRANSACTIONS	**14**	**10**
Other non-defaulted customer credit	13	9
Defaulted receivables	1	1
TOTAL OF ITEMS INCLUDED IN AMORTIZED COST - FINANCE LEASES	**24**	**(16)**
Staggered handling charges	68	(4)
Staggered contributions to sales incentives by manufacturer or dealers	(337)	(234)
Staggered fees paid for referral of business	293	222
IMPAIRMENT ON FINANCE LEASES	**(204)**	**(182)**
Impairment on healthy receivables	(33)	(39)
Impairment on receivables with a significant increase in credit risk since initial recognition	(55)	(50)
Impairment on defaulted receivables	(115)	(92)
Impairment on residual value	(1)	(1)
TOTAL FINANCE LEASE TRANSACTIONS, NET	**13,439**	**11,729**

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 12/2019
Finance leases – Net investment	5,889	7,704	50	13,643
Finance leases – Future interest receivable	403	389	4	796
FINANCE LEASES - GROSS INVESTMENT	**6,292**	**8,093**	**54**	**14,439**
Amount of residual value guaranteed to RCI Banque group	3,514	4,372		7,886
• *Of which amount guaranteed by related parties*	*2,292*	*2,138*		*4,430*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	4,000	5,955	54	10,009

In millions of euros	< 1 year	1 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

6.3 OPERATING LEASE TRANSACTIONS

In millions of euros	12/2019	12/2018
FIXED ASSET NET VALUE ON OPERATING LEASE TRANSACTIONS	**1,251**	**991**
Gross value of tangible assets	1,619	1,284
Depreciation of tangible assets	(368)	(293)
RECEIVABLES ON OPERATING LEASE TRANSACTIONS	**16**	**12**
Non-defaulted receivables	11	7
Defaulted receivables	8	7
Income and charges to be staggered	(3)	(2)
IMPAIRMENT ON OPERATING LEASES	**(40)**	**(29)**
Impairment on non-defaulted receivables	(1)	(1)
Impairment on defaulted receivables	(6)	(5)
Impairment on residual value	(33)	(23)
TOTAL OPERATING LEASE TRANSACTIONS, NET*	**1,227**	**974**
* *Of which related parties*	*(1)*	*(1)*

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

In millions of euros	12/2019	12/2018
0-1 year	225	146
1 to 5 years	194	201
> 5 years	39	9
GLOBAL	**458**	**356**

6.4 MAXIMUM EXPOSURE TO CREDIT RISK AND INDICATION CONCERNING THE QUALITY OF RECEIVABLES DEEMED NON-IMPAIRED BY GROUPE RCI BANQUE

At 31 December 2019, the maximum aggregate exposure to credit risk stood at €59,549 million against €54,645 million at 31 December 2018. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on groupe RCI Banque's consolidated off-balance sheet (see Note 23 "Commitments received").

Amount of receivables due

In millions of euros	12/2019	Of which non-defaulted[1]	12/2018	Of which non-defaulted[1]
Between 0 and 3 months	713	503	593	409
Between 3 and 6 months	70		59	
Between 6 months and 1 year	44		37	
More than one year	50		74	
RECEIVABLES DUE	**877**	**503**	**763**	**409**

(1) Only includes the sales financing receivables not classified in Bucket 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 2019, guarantees held on doubtful or delinquent receivables totaled €821 million against €678 million at 31 December 2018.

6.5 RESIDUAL VALUES OF RISK CARRIED BY RCI BANQUE

The total risk on residual values carried by RCI Banque amounted to €1,935 million at 31 December 2019 against €1,944 million at 31 December 2018. It was covered by provisions totaling €59 million for the residual value risk borne at 31 December 2019 (essentially affecting the United Kingdom).

NOTE 7 CUSTOMER FINANCE TRANSACTIONS BY BUSINESS SEGMENT

In millions of euros	Customers	Dealer network	Others	Total 12/2019
GROSS VALUE	**40,178**	**11,747**	**766**	**52,691**
Healthy receivables	36,548	11,372	763	48,683
Receivables with a significant increase in credit risk since initial recognition	3,034	299		3,333
Defaulted receivables	596	76	3	675
% of defaulted receivables	*1.48%*	*0.65%*	*0.39%*	*1.28%*
IMPAIRMENT ALLOWANCE	**(779)**	**(102)**	**(1)**	**(882)**
Impairment on healthy receivables	(207)	(58)	(1)	(266)
Impairment on receivables with a significant increase in credit risk since initial recognition	(165)	(10)		(175)
Impairment on defaulted receivables	(407)	(34)		(441)
NET VALUE*	**39,399**	**11,645**	**765**	**51,809**
** Of which: related parties (excluding participation in incentives and fees paid for referrals)*	*24*	*874*	*589*	*1,487*

In millions of euros	Customers	Dealer network	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*

The "Other" category mainly includes buyer and ordinary accounts with dealers and Groupe Renault.

NOTE 8 ADJUSTMENT ACCOUNTS AND OTHER ASSETS

In millions of euros	12/2019	12/2018
TAX RECEIVABLES	**432**	**379**
Current tax assets	16	26
Deferred tax assets	171	145
Tax receivables other than on current income tax	245	208
ADJUSTMENT ACCOUNTS AND OTHER ASSETS	**1,069**	**953**
Other sundry debtors	451	377
Adjustment accounts - Assets	59	55
Other assets	1	
Items received on collection	373	319
Reinsurer part in technical provisions	185	202
TOTAL ADJUSTMENT ACCOUNTS AND OTHER ASSETS*	**1,501**	**1,332**
* *Of which related parties*	*259*	*225*

Deferred tax assets are analyzed 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	12/2019	12/2018
Reinsurer part in technical provisions at the beginning of period	202	197
Variation in the technical provisions chargeable to reinsurers	(5)	16
Claims recovered from reinsurers	(12)	(11)
REINSURER PART IN TECHNICAL PROVISIONS AT THE END OF PERIOD	**185**	**202**

NOTE 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	12/2019		12/2018	
In millions of euros	Balance sheet value of EACs	Income	Balance sheet value of EACs	Income
Orfin Finansman Anonim Sirketi	25	6	21	4
RN SF B.V.	84	13	63	9
Nissan Renault Financial Services India Private Limited	33	2	31	2
TOTAL INTERESTS IN ASSOCIATES	**142**	**21**	**115**	**15**

NOTE 10 TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

In millions of euros	12/2019	12/2018
INTANGIBLE ASSETS: NET	**6**	**7**
Gross value	39	36
Accumulated depreciation and impairment	(33)	(29)
PROPERTY, PLANT AND EQUIPMENT: NET	**86**	**32**
Gross value	180	113
Accumulated depreciation and impairment	(94)	(81)
TOTAL TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS	**92**	**39**

Property, plant and equipment includes real estate leases activated under IFRS 16 (see section 6.3.1 “Changes in accounting policies”).

NOTE 11 GOODWILL

In millions of euros	12/2019	12/2018
Argentina	1	1
United Kingdom	36	35
Germany	12	12
Italy	9	9
South Korea	20	20
Czech Republic	6	6
TOTAL GOODWILL BREAKDOWN BY COUNTRY	**84**	**83**

Impairment tests were performed on all goodwill (using the methods and assumptions described in section 6.3.2). These tests revealed no impairment risk at 31 December 2019.

NOTE 12 AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

12.1 CENTRAL BANKS

In millions of euros	12/2019	12/2018
Term borrowings	2,700	2,500
TOTAL CENTRAL BANKS	**2,700**	**2,500**

At 31 December 2019, the book value of the collateral presented to the Bank of France (3G) amounted to €5,882 million, i.e. €5,325 million in securities issued by securitization vehicles, €151 million in eligible bond securities, and €406 million in private accounts receivable.

12.2 AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

In millions of euros	12/2019	12/2018
SIGHT ACCOUNTS PAYABLE TO CREDIT INSTITUTIONS	**135**	**142**
Ordinary accounts in credit	11	21
Overnight borrowings	7	
Other amounts owed	117	121
TERM ACCOUNTS PAYABLE TO CREDIT INSTITUTIONS	**2,645**	**2,289**
Term borrowings	2,555	2,217
Accrued interest	90	72
TOTAL LIABILITIES TO CREDIT INSTITUTIONS	**2,780**	**2,431**

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	12/2019	12/2018
AMOUNTS PAYABLE TO CUSTOMERS	**18,512**	**16,686**
Ordinary accounts in credit	124	134
Term accounts in credit	700	710
Ordinary saving accounts	12,986	12,103
Term deposits (retail)	4,702	3,739
OTHER AMOUNTS PAYABLE TO CUSTOMERS AND ACCRUED INTEREST	**93**	**95**
Other amounts payable to customers	61	67
Accrued interest on ordinary accounts in credit	9	7
Accrued interest on ordinary saving accounts	17	17
Accrued interest on customers term accounts	6	4
TOTAL AMOUNTS PAYABLE TO CUSTOMERS*	**18,605**	**16,781**
* *Of which related parties*	*728*	*748*

Term accounts in credit include a €700 million cash warrant agreement given to RCI Banque by the manufacturer Renault, covering, without any geographical exceptions, against the risks of the Renault Retail Group defaulting.

RCI Banque launched its savings business in France in February 2012, in Germany in February 2013, in Austria in April 2014, in the United Kingdom in June 2015, and in Brazil in March 2019, marketing both saving accounts and term deposit accounts.

12.4 DEBT SECURITIES

In millions of euros	12/2019	12/2018
NEGOTIABLE DEBT SECURITIES[1]	**1,948**	**1,826**
Certificates of deposit	1,681	1,659
Commercial paper and similar	29	84
French MTNs and similar	220	65
Accrued interest on negotiable debt securities	18	18
OTHER DEBT SECURITIES[2]	**3,243**	**2,780**
Other debt securities	3,242	2,778
Accrued interest on other debt securities	1	2
BONDS AND SIMILAR	**18,825**	**18,903**
Bonds	18,699	18,804
Accrued interest on bonds	126	99
TOTAL DEBT SECURITIES*	**24,016**	**23,509**
* *Of which related parties*	*78*	*95*

(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 mainly relate to the securities issued by the securitization vehicles created for the requirements of German (RCI Banque S.A. Niederlassung Deutschland), British (RCI Financial Services Ltd), Brazilian (Banco RCI Brasil S.A. and Corretora de Seguros S.A.), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization operations.

12.5 LIABILITIES BY VALUATION METHOD

In millions of euros	12/2019	12/2018
LIABILITIES VALUED AT AMORTIZED COST – EXCLUDING FAIR VALUE HEDGE	**39,427**	**37,864**
Central Banks	2,700	2,500
Amounts payable to credit institutions	2,780	2,431
Amounts payable to customers	18,605	16,781
Debt securities	15,342	16,152
LIABILITIES VALUED AT AMORTIZED COST – FAIR VALUE HEDGE	**8,674**	**7,357**
Debt securities	8,674	7,357
TOTAL FINANCIAL DEBTS	**48,101**	**45,221**

12.6 BREAKDOWN OF FINANCIAL LIABILITIES BY RATE TYPE BEFORE DERIVATIVES

In millions of euros	Variable	Fixed	12/2019
Central Banks		2,700	2,700
Amounts payable to credit institutions	1,006	1,774	2,780
Amounts payable to customers	11,169	7,436	18,605
Negotiable debt securities	674	1,274	1,948
Other debt securities	3,241	2	3,243
Bonds	5,016	13,809	18,825
TOTAL FINANCIAL LIABILITIES BY RATE	**21,106**	**26,995**	**48,101**

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**

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	Germany
Originator	DIAC SA	DIAC SA	DIAC SA	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independent dealers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Receivables independent dealers	Auto loans to customers
Issue vehicle	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	Cars Alliance Auto Loans Germany V2019-1
Start date	May 2012	April 2018	July 2013	July 2015	March 2014	May 2016	July 2017	May 2019
Legal maturity date	August 2030	October 2029	July 2028	December 2031	March 2031	May 2027	June 2026	August 2031
Initial purchase of receivables	€715 million	€799 million	€1,020 million	€1,234 million	€674 million	€822 million	€852 million	€1,107 million
Credit enhancement as at the initial date	Cash reserve for 1% Over collateralization of receivables 13.8%	Cash reserve for 1% Over collateralization of receivables 8%	Cash reserve for 1% Over collateralization of receivables 12.5%	Cash reserve for 1% Over collateralization of receivables 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 7.5%
Receivables purchased as of 31 December 2019	€507 million	€651 million	€1,198 million	€1,540 million	€2,062 million	€189 million	€813 million	€1,073 million
Notes in issue as at 31 December 2019 (including any units held by groupe RCI Banque)	Class A Rating: AAA €440 million Class B Not rated €71 million	Class A Rating: AAA €581 million Class B Rating: AA €23 million Class C Not rated €38 million	Class A Rating: AA €1,000 million	Class A Rating: AA €1,357 million Class J Not rated €238 million	Class A Rating: AAA €1,813 million Class B Not rated €158 million	Class A Rating: AAA €97 million Class B Rating: AA €23 million Class C Not rated €38 million	Class A Rating: AAA €675 million	Class A Rating: AAA €950 million Class B Rating: AA €26 million Class C Not rated €51 million
Period	Revolving	Depreciation	Revolving	Revolving	Revolving	Depreciation	Revolving	Revolving
Nature of transaction	self-subscribed	Market	Self-subscribed	Self-subscribed	Self-subscribed	Market	Self-subscribed	Market

In 2019, groupe RCI Banque carried out a securitization transaction in public format in Germany by means of a special purpose vehicle.

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 2019, the amount of financing obtained through securitization by conduit totaled €1,543 million. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €1,700 million.

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2019, the amount of the sales financing receivables thus maintained on the balance sheet totaled €10,508 million (€11,010 million at 31 December 2018), as follows:

- for securitization transactions placed on the market: €1,913 million;
- for self-subscribed securitization transactions: €6,121 million;
- for private securitization transactions: €2,473 million.

The fair value of these receivables was €10,504 million at 31 December 2019.

Liabilities of €3,243 million have been booked under "Other debt securities" for the securities issued during securitization transactions. The fair value of these liabilities was €3,264 million at 31 December 2019.

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	12/2019	12/2018
TAXES PAYABLE	**750**	**620**
Current tax liabilities	129	124
Deferred tax liabilities	588	472
Taxes payable other than on current income tax	33	24
ADJUSTMENT ACCOUNTS AND OTHER AMOUNTS PAYABLE	**1,895**	**1,543**
Social security and employee-related liabilities	57	53
Other sundry creditors	916	679
Adjustment accounts - liabilities	562	461
Accrued interest on other sundry creditors	354	342
Collection accounts	6	8
TOTAL ADJUSTMENT ACCOUNTS AND MISCELLANEOUS LIABILITIES*	**2,645**	**2,163**
* *Of which related parties*	*145*	*78*

Deferred tax liabilities are analyzed in Note 32.

The item other sundry creditors includes debts on leased assets activated under IFRS 16 (see section 6.3.1 "Changes in accounting policies"). In addition, other sundry creditors and accruals on sundry creditors 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	12/2018	Charge	Reversals Used	Reversals Not used	Other* changes	12/2019
IMPAIRMENT ON BANKING OPERATIONS	**496**	**321**	**(33)**	**(257)**	**(2)**	**525**
Provisions for signature commitments**	5	8		(7)		6
Provisions for litigation risks	10	4		(3)	(2)	9
Insurance technical provisions	460	301	(32)	(241)		488
Other	21	8	(1)	(6)		22
IMPAIRMENT ON NON-BANKING OPERATIONS	**112**	**36**	**(9)**	**(4)**	**13**	**148**
Provisions for pensions liabilities and related	49	5	(4)		13	63
Provisions for restructuring	11	4	(1)			14
Provisions for tax and litigation risks	48	26	(4)	(2)	(1)	67
Other	4	1		(2)	1	4
TOTAL PROVISIONS	**608**	**357**	**(42)**	**(261)**	**11**	**673**

* *Other changes = Reclassification, currency translation effects, changes in scope of consolidation.*
** *Provisions for signature commitments = Mainly concern financing commitments.*

Each of the known disputes in which RCI Banque or the group's companies are involved was reviewed at the closing date. On the advice of legal counsel, provisions were established when deemed necessary to cover estimated risks.

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

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 €488 million at end-December 2019.

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 €347 thousand at end-December 2019 for unfair administration/processing fees and €5,220 thousand 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, Renault SA 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 2019, 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. 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. 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	12/2019	12/2018
Amount of the provision, French companies	41	34
Amount of the provision, foreign companies	22	15
TOTAL PROVISIONS	**63**	**49**

Subsidiaries without a pension fund

	France	
Main actuarial assumptions	12/2019	12/2018
Retirement age	67 years	67 years
Salary increases	2.06%	1.80%
Financial discount rate	0.68%	1.95%
Starting rate	6.21%	5.19%

Subsidiaries with a pension fund

	United Kingdom		Switzerland		Netherlands	
Main actuarial assumptions	12/2019	12/2018	12/2019	12/2018	12/2019	12/2018
Average duration	23 years	25 years	23 years	20 years	18 years	22 years
Rate of wage indexation		3.10%	1.00%	1.15%	1.40%	1.40%
Discount rate	2.10%	2.85%	0.30%	0.90%	0.80%	1.80%
Actual return rate of hedge assets	15.52%	-5.30%	1.00%	1.00%	0.80%	1.80%

Changes in provisions during the year

In millions of euros	Actuarial value of obligation (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	**91**	**42**		**49**
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	2			2
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	16			16
Net return on fund asset (not included in net interest above)		6		(6)
Actuarial gains and losses on the obligation resulting from experience effects	(8)			(8)
EXPENSE (INCOME) RECORDED IN OTHER COMPONENTS OF COMPREHENSIVE INCOME	**10**	**6**		**4**
Employer's contributions to funds		1		(1)
Benefits paid	(3)			(3)
Effect of changes in exchange rates	11	2		9
BALANCE AT THE CLOSING DATE OF THE PERIOD	**115**	**52**		**63**

Nature of invested funds

	12/2019		12/2018	
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
Equity securities	16		13	
Bonds	31		25	
Others	5		4	
GLOBAL	**52**		**42**	

NOTE 16 IMPAIRMENT ALLOWANCES TO COVER COUNTERPARTY RISK

In millions of euros	12/2018	Charge	Reversals		Other* changes	12/2019
			Used	Not us80ed		
IMPAIRMENTS ON BANKING OPERATIONS	**806**	**392**	**(208)**	**(109)**	**1**	**882**
Customer Loans	806	392	(208)	(109)	1	882
• *Of which impairment on healthy receivables*	*265*	*104*	*(49)*	*(61)*	*7*	*266*
• *Of which impairment on downgraded receivablessince origination*	*163*	*100*	*(50)*	*(35)*	*(3)*	*175*
• *Of which impairment on defaulted receivables*	*378*	*188*	*(109)*	*(13)*	*(3)*	*441*
IMPAIRMENT ON NON-BANKING OPERATIONS	**8**	**10**	**(1)**	**(7)**		**10**
Provisions for signature commitments	5	8		(7)		6
Other impairment to cover counterparty risk	3	2	(1)			4
IMPAIRMENT ON BANKING OPERATIONS	**10**	**4**		**(3)**	**(2)**	**9**
Provisions for litigation risks	10	4		(3)	(2)	9
TOTAL PROVISIONS TO COVER COUNTERPARTY RISK	**824**	**406**	**(209)**	**(119)**	**(1)**	**901**

* *Other changes = 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

In millions of euros	12/2019	12/2018
DEBTS VALUED AT AMORTIZED COST	**853**	
Subordinated securities	850	
Accrued interest on subordinated securities	3	
DEBTS VALUED AT FAIR VALUE	**14**	**13**
Participating loan stocks	14	13
TOTAL SUBORDINATED LIABILITIES	**867**	**13**

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

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

RCI Banque issued callable Tier 2 bonds in the amount of €850 million on the bank subordinated debt market.

NOTE 18 BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING TERM TO MATURITY

In millions of euros	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total 12/2019
FINANCIAL ASSETS	**13,612**	**16,859**	**23,850**	**713**	**55,034**
Cash and balances at central banks	1,494	27	6		1,527
Derivatives	5	7	83	82	177
Financial assets	599	267	497	106	1,469
Amounts receivable from credit institutions	1,219		60		1,279
Loans and advances to customers	10,295	16,558	23,204	525	50,582
FINANCIAL LIABILITIES	**16,742**	**8,303**	**19,834**	**4,181**	**49,060**
Central Banks	200	2,000	500		2,700
Derivatives	10	24	58		92
Amounts payable to credit institutions	602	915	1,263		2,780
Amounts payable to customers	14,308	1,485	2,112	700	18,605
Debt securities	1,619	3,879	15,901	2,617	24,016
Subordinated debt	3			864	867

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

Central Bank borrowings correspond to the 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	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total 12/2019
FINANCIAL LIABILITIES	**16,694**	**8,488**	**20,521**	**4,263**	**49,966**
Central Banks	200	2,000	500		2,700
Derivatives	1	11	29		41
Amounts payable to credit institutions	580	848	1,263		2,691
Amounts payable to customers	14,280	1,480	2,112	700	18,572
Debt securities	1,505	3,798	15,873	2,617	23,793
Subordinated debt	3			860	863
Future interest payable	125	351	744	86	1,306
FINANCING AND GUARANTEE COMMITMENTS	**2,488**	**39**	**30**	**129**	**2,686**
TOTAL BREAKDOWN OF FUTURE CONTRACTUAL CASH FLOWS BY MATURITY	**19,182**	**8,527**	**20,551**	**4,392**	**52,652**

In millions of euros	< 3 months	3 to 12 months	1 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**

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 2019.

NOTE 20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (IN ACCORDANCE WITH IFRS 7 & IFRS 13) AND BREAKDOWN OF ASSETS AND LIABILITIES BY FAIR VALUE HIERARCHY

		Fair Value				
12/31/2019 *(in millions of euros)*	Book value	Level 1	Level 2	Level 3	FV*	Difference*
FINANCIAL ASSETS	**55,034**	**1,465**	**2,983**	**50,488**	**54,936**	**(98)**
Cash and balances at central banks	1,527		1,527		1,527	
Derivatives	177		177		177	
Financial assets	1,469	1,465		4	1,469	
Amounts receivable from credit institutions	1,279		1,279		1,279	
Loans and advances to customers	50,582			50,484	50,484	(98)
FINANCIAL LIABILITIES	**49,060**	**15**	**49,243**		**49,258**	**(198)**
Central Banks	2,700		2,629		2,629	71
Derivatives	92		92		92	
Amounts payable to credit institutions	2,780		2,939		2,939	(159)
Amounts payable to customers	18,605		18,605		18,605	
Debt securities	24,016		24,125		24,125	(109)
Subordinated debt	867	15	853		868	(1)

* *FV: Fair value - Difference: Unrealized gains or losses.*

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

		Fair Value				
12/31/2018 *(in millions of euros)*	Book value	Level 1	Level 2	Level 3	FV*	Difference*
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 gains or losses.*

Assumptions and methods used

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

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

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

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

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

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

The main assumptions and valuation methods used are the following:

Financial assets

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

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

Loans and advances to customers

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

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

Financial liabilities

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

				Non-compensated amount			
12/31/2019 *(in millions of euros)*	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	Net Exposure
ASSETS	**1,340**		**1,340**	**37**	**889**		**414**
Derivatives	177		177	37			140
Network financing receivables[(1)]	1,163		1,163		889		274
LIABILITIES	**92**		**92**	**37**			**55**
Derivatives	92		92	37			55

(1) *The gross book value of dealer financing receivables breaks down into €722 million for the Renault Retail Group, whose exposures are hedged in the amount of €692 million by a cash warrant agreement given by the manufacturer Renault (see Note 12.3) and €441 million for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged in the amount of €197 million by pledge of letras de cambio (bills of exchange) subscribed by the dealers.*

				Non-compensated amount			
12/31/2018 *(in millions of euros)*	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	Net Exposure
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 €659 million for the Renault Retail Group, whose exposures are hedged in the amount of €654 million by a cash warrant agreement given by the manufacturer Renault (see Note 12.3) and €425 million for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged in the amount of €174 million by pledge of letras de cambio (bills of exchange) subscribed by the dealers.*

NOTE 22 COMMITMENTS GIVEN

In millions of euros	12/2019	12/2018
FINANCING COMMITMENTS	**2,553**	**2,362**
Commitments to credit institutions	4	
Commitments to customers	2,549	2,362
GUARANTEE COMMITMENTS	**216**	**75**
Credit institution guarantees	57	71
Customer guarantees	159	4
COMMITMENTS ON SECURITIES		**5**
Other securities receivable		5
OTHER COMMITMENTS GIVEN	**29**	**73**
Commitments given for equipment leases and real estate leases	29	73
TOTAL COMMITMENTS GIVEN*	**2,798**	**2,515**
* *Of which related parties*	*7*	*4*

NOTE 23 COMMITMENTS RECEIVED

In millions of euros	12/2019	12/2018
FINANCING COMMITMENTS	**4,847**	**4,820**
Guarantees received from credit institutions	4,847	4,820
GUARANTEE COMMITMENTS	**16,313**	**14,138**
Guarantees received from credit institutions	228	257
Guarantees from customers	6,741	6,151
Commitments to take back leased vehicles at the end of the contract	9,344	7,730
OTHER COMMITMENTS RECEIVED	**25**	**20**
Other commitments received	25	20
TOTAL COMMITMENTS RECEIVED*	**21,185**	**18,978**
* *Of which related parties*	*5,408*	*4,698*

At 31 December 2019, RCI Banque had €4,847 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €2,446 million 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, groupe RCI Banque 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

	Balance sheet		Off-balance sheet		Net Exposure		
12/2019 *(in millions of euros)*	Long position	Short position	Long position	Short position	Global	Of which monetary	Of which structural
Position in USD		(29)	29				
Position in GBP	323		19		342		342
Position in CHF	285			(281)	4		4
Position in CZK	90			(73)	17		17
Position in ARS	2				2		2
Position in BRL	145				145	1	144
Position in PLN	486			(472)	14	1	13
Position in HUF	6				6		6
Position in RON	25			(23)	2	2	
Position in KRW	165				165		165
Position in MAD	30				30	3	27
Position in DKK	127			(127)			
Position in TRY	12				12		12
Position in SEK	135			(135)			
Position in HRK	4			(4)			
Position in INR	27				27		27
Position in COP	33				33		33
TOTAL EXPOSURES	**1,895**	**(29)**	**48**	**(1,115)**	**799**	**7**	**792**

	Balance sheet		Off-balance sheet		Net Exposure		
12/2018 *(in millions of euros)*	Long position	Short position	Long position	Short position	Global	Of which monetary	Of which structural
Position in USD		(83)	84		1	1	
Position in GBP		(300)	426		126		126
Position in CHF	385			(381)	4		4
Position in CZK	84			(67)	17		17
Position in ARS	4				4	1	3
Position in BRL	137				137	2	135
Position in PLN	382			(368)	14	1	13
Position in HUF	6				6		6
Position in RON	32			(24)	8	8	
Position in KRW	168				168		168
Position in MAD	28				28	2	26
Position in DKK	141			(138)	3	3	
Position in TRY	13				13		13
Position in SEK	104			(104)			
Position in PLN	1				1	1	
Position in INR	27				27		27
Position in COP	32				32		32
TOTAL EXPOSURES	**1,544**	**(383)**	**510**	**(1,082)**	**589**	**19**	**570**

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	12/2019	12/2018
INTERESTS AND SIMILAR INCOMES	**2,966**	**2,751**
Transactions with credit institutions	34	51
Customer Loans	2,173	2,037
Finance leases	671	591
Accrued interest due and payable on hedging instruments	72	61
Accrued interest due and payable on Financial assets	16	11
STAGGERED FEES PAID FOR REFERRAL OF BUSINESS	**(770)**	**(656)**
Customer Loans	(614)	(534)
Finance leases	(156)	(122)
TOTAL INTEREST AND SIMILAR INCOME*	**2,196**	**2,095**
* *Of which related parties*	*740*	*705*

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	12/2019	12/2018
Transactions with credit institutions	(203)	(191)
Customer Loans	(130)	(129)
Finance leases	(2)	(1)
Accrued interest due and payable on hedging instruments	(54)	(47)
Expenses on debt securities	(340)	(316)
Other interest and similar expenses	(15)	(18)
TOTAL INTEREST AND SIMILAR EXPENSES*	**(744)**	**(702)**
* *Of which related parties*	*(4)*	*(6)*

NOTE 27 FEES AND COMMISSIONS

In millions of euros	12/2019	12/2018
FEES AND COMMISSIONS INCOME	**605**	**545**
Commissions	19	15
Fees	21	22
Commissions from service activities	82	72
Insurance brokerage commission	65	64
Incidental insurance commissions from finance contracts	226	195
Incidental maintenance commissions from finance contracts	129	119
Other incidental commissions from finance contracts	63	58
FEES AND COMMISSIONS EXPENSES	**(234)**	**(213)**
Commissions	(22)	(20)
Commissions on service activities	(57)	(55)
Incidental insurance commissions from finance contracts	(29)	(24)
Incidental maintenance commissions from finance contracts	(86)	(72)
Other incidental commissions from finance contracts	(40)	(42)
TOTAL NET COMMISSIONS*	**371**	**332**
* *Of which related parties*	*13*	*13*

Incidental income from and expenses of services related to finance contracts as well as income and expenses of service activities primarily concern insurance and maintenance contracts.

NOTE 28 NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of euros	12/2019	12/2018
NET GAINS (LOSSES) ON DERIVATIVES CLASSIFIED AS TRANSACTIONS IN TRADING SECURITIES	**(12)**	**(2)**
Net gains/losses on forex transactions	17	(8)
Net gains/losses on derivatives classified in trading securities	(22)	8
Net gains and losses on equity securities at fair value	(2)	(1)
Fair value hedges: change in value of hedging instruments	76	28
Fair value hedges: change in value of hedged items	(81)	(28)
Net gain/losses on financial assets designated at fair value through profit or loss		(1)
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**34**	**(29)**
Dividends from non-consolidated holdings	6	4
Gains (losses) on assets at fair value through profit or loss	28	(33)
TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE*	**22**	**(31)**
* *Of which related parties*	*6*	*4*

In 2019, the item "Gains and losses on assets in fair value by profit or loss" included the reversal of net impairment of equity interests sold (namely iCabbi, Flit technologies, Cllass & co, Marcel, RCI Mobility) for €34.1m (of which €55.1m of impairment reversals). In 2018, impairments amounted to €29.1m.

NOTE 29 NET INCOME OR EXPENSE OF OTHER ACTIVITIES

In millions of euros	12/2019	12/2018
OTHER INCOME FROM BANKING OPERATIONS	**1,004**	**950**
Income from insurance activities	472	451
Income related to non-doubtful lease contracts	294	271
of which reversal of impairment on residual values	*27*	*27*
Expenses related to operating lease transactions	215	193
Other income from banking operations	23	35
• *of which reversal of charge to reserve for banking risks*	*8*	*10*
OTHER EXPENSES ON BANKING OPERATIONS	**(758)**	**(725)**
Costs of insurance activities	(182)	(187)
Expenses related to non-doubtful lease contracts	(305)	(280)
• *of which allowance for impairment on residual values*	*(36)*	*(25)*
Distribution costs not treatable as interest expense	(93)	(92)
Expenses related to operating lease transactions	(154)	(133)
Other expenses on banking operations	(24)	(33)
• *of which charge to reserve for banking risks*	*(8)*	*(16)*
OTHER OPERATING REVENUES AND EXPENSES	**5**	**11**
Other operating income	24	27
Other operating expenses	(19)	(16)
TOTAL NET INCOME (EXPENSE) OF OTHER ACTIVITIES*	**251**	**236**
* *Of which related parties*	*(10)*	*(9)*

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	12/2019	12/2018
Gross premiums issued	377	349
Net charge of provisions for technical provisions	(28)	(42)
Claims paid	(32)	(27)
Claims recovered from reinsurers	12	11
Others reinsurance charges and incomes	(37)	(25)
TOTAL NET INCOME FROM INSURANCE ACTIVITIES	**292**	**266**

NOTE 30 GENERAL OPERATING EXPENSES AND PERSONNEL COSTS

In millions of euros	12/2019	12/2018
PERSONNEL COSTS	**(308)**	**(295)**
Employee pay	(202)	(190)
Expenses of post-retirement benefits - Defined contribution plan	(18)	(16)
Expenses of post-retirement benefits - Defined benefits plan	(1)	
Other employee-related expenses	(71)	(66)
Other personnel expenses	(16)	(23)
OTHER ADMINISTRATIVE EXPENSES	**(277)**	**(270)**
Taxes other than current income tax	(43)	(43)
Rental charges	(7)	(11)
Other administrative expenses	(227)	(216)
GENERAL OPERATING EXPENSES TOTAL*	**(585)**	**(565)**
* *Of which related parties*	*(1)*	*(2)*

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

In addition, non-audit services that KPMG 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	12/2019	12/2018
Sales financing operations and services in France	1,614	1,545
Sales financing operations and services in other countries	1,995	1,937
TOTAL RCI BANQUE GROUP	**3,609**	**3,481**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks totaling €7 million as at December 31, 2019 compared to €11 million as at December 31, 2018.

NOTE 31 COST OF RISK BY CUSTOMER CATEGORY

In millions of euros	12/2019	12/2018
COST OF RISK ON CUSTOMER FINANCING	**(176)**	**(172)**
Impairment allowances	(277)	(398)
Reversal of impairment	198	308
Losses on receivables written off	(133)	(114)
Amounts recovered on loans written off	36	32
COST OF RISK ON DEALER FINANCING	**9**	**34**
Impairment allowances	(80)	(83)
Reversal of impairment	89	117
Losses on receivables written off	(1)	(1)
Amounts recovered on loans written off	1	1
OTHER COST OF RISK	**(10)**	**(7)**
Change in allowance for impairment of other receivables	1	(5)
Other valuation adjustments	(11)	(2)
TOTAL COST OF RISK*	**(177)**	**(145)**
* *Of which related parties*	*(11)*	*(1)*

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

Other valuation adjustments comprises the debt waiver granted to entities disposed of (namely Marcel) in the amount of -€11.4 million.

NOTE 32 INCOME TAX

In millions of euros	12/2019	12/2018
CURRENT TAX EXPENSE	**(294)**	**(283)**
Current tax expense	(294)	(283)
DEFERRED TAXES	**(98)**	**(50)**
Deferred taxes	(98)	(51)
Change in allowance for impairment of deferred tax assets		1
TOTAL INCOME TAX	**(392)**	**(333)**

The amount of the French CVAE tax (Cotisation sur la Valeur Ajoutée des Entreprises, a tax calculated on the added value generated by the company) included in current income tax is -€4 million.

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

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	12/2019	12/2018
Provisions	45	18
Provisions and other charges deductible when paid	22	14
Tax loss carryforwards	126	96
Other assets and liabilities	148	156
Lease transactions	(754)	(610)
Non-current assets	1	4
Impairment allowance on deferred tax assets	(5)	(5)
TOTAL NET DEFERRED TAX ASSET (LIABILITY)	**(417)**	**(327)**

Reconciliation of actual tax expense booked and theoretical tax charge

In%	12/2019	12/2018
STATUTORY INCOME TAX RATE - FRANCE	**34.43%**	**34.43%**
Differential in tax rates of French entities	2.12%	0.77%
Differential in tax rates of foreign entities	-9.07%	-7.58%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	0.00%	-0.07%
Effect of equity-accounted associates	-0.55%	-0.38%
Other impacts	2.64%	0.10%
EFFECTIVE TAX RATE	**29.57%**	**27.27%**

The interest rate differential for French entities is mainly due to a less advantageous mechanism for capping deductions for financial expenses (the 'rabot' effect (French proportional interest deduction restriction).

At the end of 2019, a provision for tax risks in Italy of 19 million euros (+2.65% impact) was recorded under "Other impacts".

Deferred tax expense recognized in the other comprehensive income

	2019 change in equity			2018 change in equity		
In millions of euros	Before tax	Tax	Net	Before tax	Tax	Net
Unrealized P&L on cash flow hedge instruments	(19)	5	(14)	4	(1)	3
Unrealized P&L on financial assets	1	(1)		(1)	1	
Actuarial differences	(13)	3	(10)	2		2
Exchange differences	15		15	(65)		(65)

NOTE 33 SUBSEQUENT EVENTS

No event subsequent to closure that might have a significant effect on the financial statements at 31 December 2019 occurred between the date of closure and 5 February 2020, the date on which the Board approved the financial statements.

4.3.8 GROUP SUBSIDIARIES AND BRANCHES

4.3.8.1 List of consolidated companies and foreign branches

	Country	Direct interest of RCI	Indirect interest of RCI %	Indirect interest of RCI Held by	% interest 2019	% interest 2018
PARENT COMPANY: RCI BANQUE S.A.						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque 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. France	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 SA	Belgium	100			100	100
AUTOFIN	Belgium	100			100	100
Administradora De Consorcio RCI Brasil Ltda.	Brazil	99.92			99.92	99.92
Banco RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI Brasil)	Brazil	60.11			60.11	60.11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			100	100
RCI Brasil Serviços e Participações Ltda*	Brazil	100			100	-
RCI Colombia S.A. Compania De Financiamiento	Colombia	51			51	51
RCI Servicios Colombia S.A.**	Colombia	100			100	94.98
RCI Financial Services Korea Co, Ltd	South Korea	100			100	100
Overlease S.A.	Spain	100			100	100
Diac S.A.	France	100			100	100
Diac Location S.A.	France	-	100	Diac S.A.	100	100
RCI ZRT	Hungary	100			100	100
ES Mobility SRL	Italy	100			100	100
RCI Services Ltd	Malta	100			100	100
RCI Insurance Ltd	Malta	-	100	RCI Services Ltd	100	100
RCI Life Ltd	Malta	-	100	RCI Services Ltd	100	100
RCI Finance 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.	Portugal	100			100	100

	Country	Direct interest of RCI	Indirect interest of RCI %	Indirect interest of RCI Held by	% interest 2019	% interest 2018
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.	Romania	-	100	RCI Finantare Romania	100	100
RCI Leasing Romania IFN S.A.	Romania	100			100	100
RCI Finantare Romania	Romania	100			100	100
RCI Financial Services Ltd	United Kingdom	-	100	RCI Bank UK Ltd	100	100
RCI Bank UK Ltd*	United Kingdom	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 Germany V 2019-1*	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 Investimentos em Direitos Creditórios CAS VD**	Brazil			Banco RCI Brasil S.A.		
EQUITY ACCOUNTED COMPANIES:						
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 2019.*
** *Entities added to the scope in 2018.*

4.3.8.2 Subsidiaries in which non-controlling interests are significant

12/31/2019 – Before intra-group elimination *(in millions of euros)*	**RCI Financial Services, S.r.o.**	**Rombo Compania Financiera S.A.**	**Banco RCI Brasil S.A.**	**RCI Colombia S.A.**
Country of location	Czech Republic	Argentina	Brazil	Colombia
Percentage of capital held by non-controlling interests	50.00%	40.00%	39.89%	49.00%
Share in voting rights of non-controlling interests	50.00%	40.00%	39.89%	49.00%
Nature	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated	Fully consolidated	Fully consolidated
Net income attributable to non-controlling interests	3		24	5
Equity - non-controlling interests	13		1	39
Dividends paid to non-controlling interests (minority shareholders)	1		9	
Cash, due from banks	13	15	198	17
Net outstandings customers loans and lease financings	143	98	2.308	486
Other assets	5	2	142	12
TOTAL ASSETS	**161**	**115**	**2.648**	**515**
Due to banks, customer deposits and debt securities issued	132	87	2.281	426
Other liabilities	3	12	91	9
Net Equity	26	16	276	80
TOTAL LIABILITIES	**161**	**115**	**2.648**	**515**
NET BANKING INCOME	**10**	**7**	**139**	**30**
Income tax	(1)	(1)	(16)	(6)
Net income	5		59	11
Other components of comprehensive income		2	(20)	
TOTAL COMPREHENSIVE INCOME	**5**	**2**	**39**	**11**
Net cash generated by operating activities	13	8	77	(11)
Net cash generated by financing activities	(5)		(40)	
Net cash generated by investing activities			2	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**8**	**8**	**39**	**12**

Percentages of voting rights are identical.

The amount of debt in respect of puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €144 million at 31 December 2019, against €126 million at 31 December 2018.

The amount of debt in respect of puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €7 million at 31 December 2019, against €12 million at 31 December 2018.

12/31/2018 – Before intra-group elimination *(in millions of euros)*	**RCI Financial Services, S.r.o.**	**Rombo Compania Financiera S.A.**	**Banco RCI Brasil S.A.**	**RCI Colombia S.A.**
Country of location	Czech Republic	Argentina	Brazil	Colombia
Percentage of capital held by non-controlling interests	50.00%	40.00%	39.89%	49.00%
Share in voting rights of non-controlling interests	50.00%	40.00%	39.89%	49.00%
Nature	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated	Fully consolidated	Fully consolidated
Net income attributable to non-controlling interests	2		19	4
Equity - non-controlling interests	11			34
Dividends paid to non-controlling interests (minority shareholders)	5		8	
Cash, due from banks	2	21	103	24
Net outstandings customers loans and lease financings	145	185	1,965	343
Other assets	2	4	143	14
TOTAL ASSETS	**149**	**210**	**2,211**	**381**
Due to banks, customer deposits and debt securities issued	123	171	1,867	308
Other liabilities	4	10	89	4
Net Equity	22	29	255	69
TOTAL LIABILITIES	**149**	**210**	**2,211**	**381**
NET BANKING INCOME	**9**	**8**	**121**	**22**
Income tax	(1)		(28)	(2)
Net income	5	(1)	47	8
Other components of comprehensive income		6	(12)	
TOTAL COMPREHENSIVE INCOME	**5**	**5**	**35**	**8**
Net cash generated by operating activities	25	15	80	(36)
Net cash generated by financing activities	(21)		(33)	24
Net cash generated by investing activities			(2)	25
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4**	**15**	**45**	**13**

4.3.8.3 Significant associates and joint ventures

12/31/2019 – Before intra-group elimination *(in millions of euros)*	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of interests held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity accounted	Equity accounted	Equity accounted
Share in net income of associates and joint ventures	13	6	2
Investments in associates and joint ventures	84	25	33
Dividends received from associates and joint ventures			
Cash, due from banks	91	35	3
Net outstandings customers loans and lease financings	1,390	298	364
Other assets	55	7	12
TOTAL ASSETS	**1,536**	**340**	**379**
Due to banks, customer deposits and debt securities issued	1,211	278	19
Other liabilities	48	13	250
Net Equity	277	49	110
TOTAL LIABILITIES	**1,536**	**340**	**379**
NET BANKING INCOME	**86**	**21**	**20**
Income tax	(11)	(1)	(3)
Net income	44	11	8
Other components of comprehensive income			
TOTAL COMPREHENSIVE INCOME	**44**	**11**	**8**
Net cash generated by operating activities	(51)	(13)	(24)
Net cash generated by financing activities			
Net cash generated by investing activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(51)**	**(13)**	**(24)**

12/31/2018 – Before intra-group elimination *(in millions of euros)*	**RN Bank**	**ORFIN Finansman Anonim Sirketi**	**Nissan Renault Financial Services India Private Ltd**
Country of location	Russia	Turkey	India
Percentage of interests held	30.00%	50.00%	30.00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity accounted	Equity accounted	Equity accounted
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**
Income tax	(9)	(3)	(3)
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)**

4.3.8.4 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.

4.4 APPENDIX 1: INFORMATION ABOUT LOCATIONS AND OPERATIONS

12/31/2019 *(in millions of euros)*

Country	Company name	Nature of activity	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	428	216.2	103.8	(69.0)	18.3	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	373	271.2	197.1	(43.0)	(18.6)	
	RCI Versicherungs-Service GmbH	Service						
Argentina	RCI Banque Sucursal Argentina	Financing	56	49.1	28.4	(9.2)	0.6	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Service						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	52	24.7	12.8	(2.9)	(0.3)	
Belgium	RCI Financial Services S.A.	Financing	30	16.5	11.2	(3.7)	0.1	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	176	159.5	93.7	(33.9)	11.6	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Service						
Colombia	RCI Colombia S.A. Compañia de Financiamiento	Financing	60	30.6	16.8	(4.6)	(1.3)	
	RCI Servicios Colombia S.A.	Financing						
South Korea	RCI Financial Services Korea Co. Ltd	Financing	112	66.9	43.7	(10.4)	(1.1)	
Spain	RCI Banque S.A. Sucursal en Espana	Financing	215	144.7	87.9	(29.7)	3.5	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1,087	433.5	228.1	(1.5)	(116.3)	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	6	4.0	3.7	(0.2)		
India	Nissan Renault Financial Services India Private Limited	Financing	114		2.5			
Ireland	RCI Banque, Branch Ireland	Financing	29	18.4	11.7	(1.5)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	215	179.1	106.0	(41.0)	4.2	
	ES Mobility S.R.L.	Financing						
Malta	RCI Services Ltd	Holding	29	153.1	147.4	(13.5)	7.3	
	RCI Insurance Ltd	Service						
	RCI Life Ltd	Service						
Maroc	RCI Finance Maroc S.A.	Financing	52	28.3	13.5	(4.5)	(0.7)	
	RDFM S.A.R.L	Service						
Netherlands	RCI Financial Services B.V.	Financing	47	22.6	12.5	(3.1)	0.2	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	61	35.5	23.3	(8.4)	4.9	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	45	18.1	9.5	(2.2)	(3.0)	
	RCI Gest Seguros - Mediadores de Seguros Lda	Service						

12/31/2019 *(in millions of euros)*

Country	Company name	Nature of activity	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	23	12.5	9.0	(1.8)		
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	64	21.3	13.9	(2.5)	(0.1)	
	RCI Broker de asigurare S.R.L.	Service						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	296	141.8	101.9	(1.1)	(6.8)	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	215	0.3	13.2			
	Sub-group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI Banque S.A. Bančna podružnica Ljubljana	Financing	40	10.7	5.6	(1.4)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	17	11.3	8.7	(1.3)	(0.5)	
Switzerland	RCI Finance S.A.	Financing	47	25.9	15.8	(3.6)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	56		5.6			
GLOBAL			**3,945**	**2,096**	**1,327**	**(294)**	**(98)**	

4.5 APPENDIX 2: FINANCIAL RISKS

Refinancing and balance sheet management

The Finance and Cash department is responsible for refinancing those of the group's entities that are eligible for centralized refinancing. It obtains the funds required to ensure continuity of business activity (issuance of bonds and other negotiable debt securities, securitization, money market borrowings, etc.), balances assets and liabilities, and adjusts the cash positions of the group's companies, while managing and minimizing exposure to financial risks, through the use of interest rate swaps, currency swaps and spot and forward foreign exchange transactions.

The principles of the financial policy extend to all consolidated subsidiaries of the RCI Banque group and are adapted and applied in subsidiaries whose refinancing is not centralized.

All refinancing for subsidiaries in countries outside the Eurozone whose transfer and convertibility risk is deemed to be a material risk by RCI Banque is generally done locally to limit any cross-border risk. Group procedures do however allow the central refinancing office to grant occasional cross border funding to subsidiaries located in such countries if the funding is for a limited amount only or if there is an insurance policy covering the non-convertibility and non-transfer risk.

Such subsidiaries are also subject to the same financial risk monitoring requirements as other group subsidiaries. They must observe limits on interest rate risk and foreign exchange risk, monitor their liquidity risk, contain their counterparty risk and have in place specific monitoring of financial risk by means of a dedicated Finance Committee and ad hoc reporting.

Transactions on financial instruments carried out by the RCI Banque holding are for the main part related to its central refinancing function for the group.

4.5.1 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.

4.5.2 MANAGING AGGREGATE INTEREST-RATE, FOREIGN EXCHANGE, COUNTERPARTY AND LIQUIDITY RISKS

Interest Rate Risk

The overall interest rate risk represents the impact of potential variation in rates on the economic value and future revenues.

The aim of groupe RCI Banque is to limit this risk as much as possible.

Two monitoring indicators are used internally for rate risk:

- discounted sensitivity (Economic Value - EV) consists of measuring at a given point in time (t) the impact of a change in interest rates on the market price of an entity's balance sheet flows. The market price is determined by the discounting of future cash flows at the market rates at point t. This measurement is used to set the limits that apply to the group's management entities;
- the net interest income which consists of measuring a gain or loss, according to an income statement vision. It is presented as the future interest income difference over a set time-frame. The particular feature adopting an NII vision, compared with the actuarial vision of sensitivity, is the linearization of the impact of new operations.

In order to take account of the difficulty of precisely adjusting the structure of borrowings to that of loans, limited flexibility is accepted in interest rate hedging by each subsidiary.

This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the Finance Committee, in an individual adaptation of part of the overall limit determined by RCI Banque's Board of Directors.

Central refinancing limit:	€32.0 million
Limit for sales financing subsidiaries:	€14.5 million
Not assigned:	€3.5 million
Total sensitivity limit in €m granted by the Board of Directors following the advice of the Risks Committee of RCI Banque:	**€50 million**

In accordance with regulatory changes (EBA/GL/2018/02), RCI Banque also measures 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 modeling of historical customer behavior patterns (early repayment, etc.), supplemented by assumptions about certain aggregates (allocation of own equity, etc.).

Sensitivity is calculated daily per currency and per management entity (central refinancing office, French and foreign sales financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk team attached to the Risk and Bank Regulations department (Risk Management department).

The situation of each entity with regard to its limit is checked daily, and immediate hedging directives are issued to the subsidiaries if circumstances so dictate.

The results of controls are the subject of monthly reporting to the Finance Committee, which checks that positions are in line with the group's financial strategy and with prevailing procedural memoranda.

Over FY 2019, RCI Banque's overall sensitivity to interest rate risk remained below the limit set by the group (€50 million).

At 31 December 2019, sensitivity to NIM following a 100-basis point rise in rates would have an impact of:

- +€0.9 million in GBP;
- +€0.5 million in KRW;
- +€0.2 million in PLN;
- -€0.2 million in CZK;
- -€0.5 million in BRL;
- -€0.8 million in CHF;
- -€1.0 million in EUR.

The absolute sensitivity values in each currency totaled €4.5 million.

4.5.3 ANALYSIS OF THE STRUCTURAL RATE RISK 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 Unit

RCI Holding's main activity is to refinance the group's commercial subsidiaries.

The in-force business of the sales financing subsidiaries is backed by fixed-rate resources, some of which are micro-hedged by interest rate swaps and by variable rate resources.

Macro-hedging transactions in the form of interest rate swaps keep the sensitivity of the holding company below the limit set by the group (€32 million).

These 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.

4.5.4 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 refinancing 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

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. 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.

4.5.5 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 €4 million throughout the year.

No position is accepted within the framework of refinancing management. In this respect, the trading room secures the systematic hedging of all flows concerned.

Residual and temporary positions in currencies, related to cash flow timing differences inherent in multi-currency cash management, may, however, remain. Any such positions are monitored daily and are subject to the same hedging concern.

Any other forex transactions (in particular for the anticipated hedging of projected dividends) may only be initiated further to the decision of the head of the Finance and Cash department.

Sales financing subsidiaries

Sales financing subsidiaries are required to refinance themselves in their own currency and thus are not exposed.

By way of exception, limits are allocated to subsidiaries whose sales financing operations or refinancing are multi-currency, and to those that are authorized to invest some of their cash surpluses in a currency other than their domestic currency.

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

At 31 December 2019, groupe RCI Banque's consolidated forex position was €6.3 million.

4.5.6 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, in order to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque 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 coefficient (as a% of the nominal)	Initial term	Foreign exchange coefficient (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 the capital adequacy regulation, corresponding to 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 (Article 274 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013) as follows:

Residual term and on gold	Interest rate options (as% of nominal)	Exchange rates options (as a% of the nominal)
<= 1 year	0%	1%
1 year < term <= 5 years	0.50%	5%
> 5 years	1.50%	7.50%

According to the fixed-rate method, it was €318 million at 31 December 2019, compared with €423 million at 31 December 2018. According to the "positive mark to market + add-on" method, the equivalent counterparty risk was €12 million at 31 December 2019, compared with €29 million at 31 December 2018. These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.

CHAPTER
5

GENERAL INFORMATION

5.1 GENERAL INFORMATION ABOUT THE COMPANY

5.1.1 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 49 32 80 00

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 corporate purpose of the société anonyme (French limited company) RCI Banque, both in France and abroad, directly and indirectly, on its own behalf or own behalf of third parties, is:

- carrying out lending and banking operations, in all their forms, intended or not to finance the acquisition of goods and/or services, and in particular revolving loan operations and the issue or management of payment instruments linked to such operations;
- 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 customers, in particular by acquiring holdings of their equity or debt securities, using the company's own equity 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, SIRET number: 306 523 358 00076, 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.

5.1.2 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 meetings

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.

Failing this, general meetings by 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 general 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.

5.1.3 GENERAL INFORMATION ABOUT THE SHARE CAPITAL

5.1.3.1 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.

5.1.3.2 Current share capital ownership and voting rights

Shareholders

At 31 December 2019, all equity securities were held by Renault s.a.s. (except for one equity security granted to the Chairman of the Board of Directors).

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

Groupe Renault 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 automotive financing products and related services to Nissan group and Groupe Renault brand dealership networks worldwide.

The organization of the RCI Banque group is described on the back cover of this document.

5.1.3.3 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.

5.1.3.4 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.

	2019	2018	2017	2016	2015	2014	2013
Profit-sharing *(in millions of euros)*	10.3	9.5	9.1	8.4	7.5	7.5	7.5
Beneficiaries	1,814	1,707	1,601	1,499	1,447	1,393	1,407

5.1.4 FEES PAID TO STATUTORY AUDITORS AND THEIR NETWORK

	Network ERNST&YOUNG Auditors				Network KPMG				Network OTHER AUDITORS			
	2019		2018		2019		2018		2019		2018	
in thousands of euros	HT	%	HT	%	HT	%	HT	%	HT	%	HT	%
Legal audit in the strict sense	1,208	98%	1,150	94%	1,597	97%	1,522					
Services necessarily rendered due to local regulations	26	2%	40	3%	25	2%	33	2%				
Services usually provided by the auditors				3%	29	2%	52	3%				
LEGAL AUDIT AND RELATED SERVICES	**1,234**	**100%**	**1,223**	**100%**	**1,651**	**100%**	**1,607**	**100%**				
Tax, legal & social consulting					22	100%	1	3%				
Organization consulting							28	97%				
Other consulting												
AUTHORIZED SERVICES (EXCLUDING LEGAL AUDIT) REQUIRING APPROVAL					**22**		**29**					
TOTAL FEES	**1,234**		**1,223**		**1,673**		**1,636**					

5.1.5 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 years

Term expires: Accounting year 2019

Represented at 31 December 2019 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 years

Term expires: Accounting year 2021

Represented at 31 December 2019 by Mr. Luc Valverde

5.2 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 Crédit 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 1st 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 Groupe Renault 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, 99.99% of the share capital has been held by Renault S.A.S.

5.2.1 DEPENDENCE

RCI Banque provides financing to Groupe Renault 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.

5.2.2 INVESTMENT POLICY

Main investments and disposals over the last five financial years.

	Disposals – Dissolutions – Mergers	Acquisitions	Creations
2019	**Canada**: sale of ICABBI CANADA Inc. to Renault MAI **United States**: sale of KARHOO AMERICAS Inc., ICABBI USA Inc. to Renault MAI **Ireland**: sale of COOLNAGOUR Ltd. T/A ICABBI to Renault MAI **France**: sale of RCI MOBILITY S.A.S, CLASS&CO S.A.S, MARCEL S.A.S, CLASS&CO SOFTWARE (YUSO) to Renault MAI **United Kingdom**: sale of FLIT TECHNOLOGIES Ltd., KARHOO EUROPE (UK) Ltd., COMO URBAN MOBILITY Ltd., COOLNAGOUR UK Ltd., SCT SYSTEMS Ltd. to Renault MAI. Intragroup sale of RCI FINANCIAL SERVICES Ltd. to RCI BANK UK Ltd.	**Colombia**: acquisition of a 5.02% stake in RCI SERVICIOS COLOMBIA S.A.S.	
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 a 78.06% stake in 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)	**United States** (Delaware): 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 by RCI Banque S.A. of a 24.96% stake in BULB SOFTWARE Ltd.	**Portugal:** RCICOM S.A. created **Colombia:** RCI COLOMBIA S.A. COMPANIA DE FINANCIAMIENTO created
2015	**Belgium:** dissolution of RCI FINANCIAL SERVICES LUXEMBOURG, branch of RCI FINANCIAL SERVICES S.A.		**France:** RCI MOBILITY S.A.S. created **United Kingdom:** RCI BANK UK (branch) opened

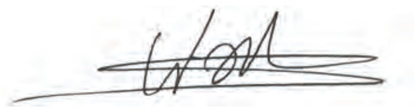
5.3 STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

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.

5 February 2020

The Chairman of the Board of Directors

Clotilde DELBOS



DOCUMENTS AVAILABLE TO THE PUBLIC

This document is available on the RCI Banque website www.annualreport2019.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 extrafinancial performance of Renault S.A, the Group's parent company.

Anyone wishing for further information regarding RCI Banque group, may send their request to:

RCI Banque
Direction Financement et Trésorerie
FR UZS 000 015
15 rue d'Uzès 75002 Paris - France

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BANK
AND
SERVICES

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