RCI BANQUE SA

FINANCIAL REPORT 2018

SUMMARY

RCI BANK AND SERVICES

BUSINESS REPORT 2018

RCI BANK AND SERVICES[1] OVERVIEW

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

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

Our vision:
«Our aim in creating personalized services is to deliver a seamless mobility experience. Our aim in innovating is to enhance the service we deliver to our customers.»

Tailored solutions for each type of customer base

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

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

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

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

The Savings business was launched in 2012 and now operates in four markets, namely France, Germany, Austria and the United Kingdom. Savings deposits are a key instrument in the diversification of the group's sources of refinancing for its operations. Deposits collected came to €15.9 billion or approximately 34% of net assets at end-December 2018[3].

More than 3,500 employees over five Regions

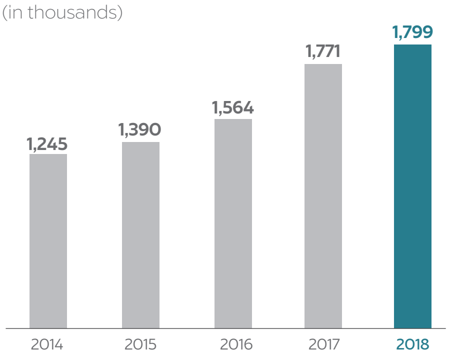
Our employees operate in 36 countries, divided into five major world Regions: Europe; Americas; Africa - Middle-East - India; Eurasia; Asia-Pacific.

[1] RCI Bank and Services has been the company's trading name since February 2016. Its corporate name, however, remains unchanged and is still RCI Banque S.A.

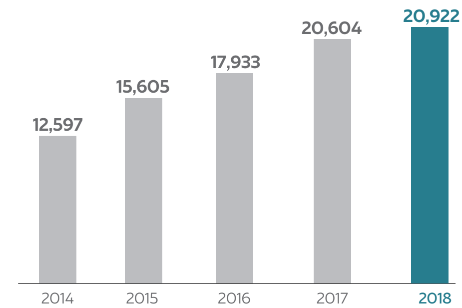
[2] RCI Bank and Services supports the Groupe Renault's brands (Renault, Dacia, Alpine, Renault Samsung Motors, Lada) in the world, the Nissan Group's (Nissan, Infiniti, Datsun) mainly in Europe, in Brazil, in Argentina, in South Korea, and in the form of joint ventures in Russia and in India, as well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

[3] Net assets at end-: net total outstandings + operating lease transactions net of depreciation and impairment.

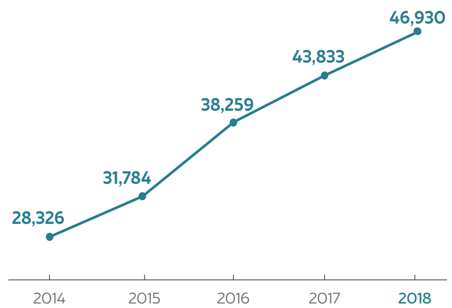
Total number of vehicle contracts
(in thousands)



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

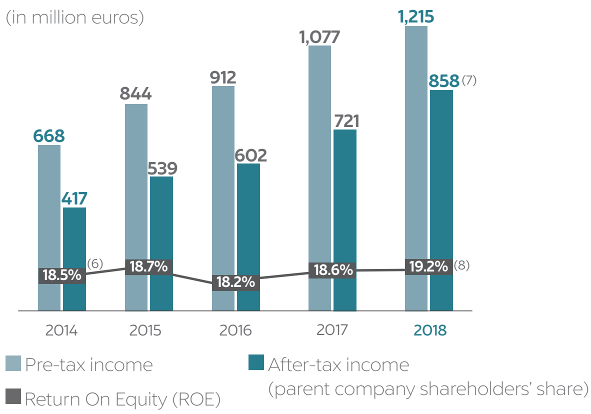


Net assets at end[4]
(in million euros)



[4] Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

Results[5]
(in million euros)



[5] The 2014 consolidated financial statements have been restated following a correction pertaining to the spread of insurance commissions at RCI Banque S.A. Sucursal en España.

[6] ROE 2014 excluding non-recurring items (-€77m).

[7] The result is impacted by a deferred tax income of €47 million.

[8] Excluding the €47 million deferred tax impact, ROE came to 18.1%.

BUSINESS ACTIVITY 2018

RCI Bank and Services posts a further increase in its sales performance for 2018 and keeps its goals on track. RCI Bank and Services confirms its position as a key strategic partner to the Alliance brands.

With 1,798,901 contracts financed in 2018, a 1.6% increase compared with last year, RCI Bank and Services generated €20.9 billion in new financings.

The group's Financing penetration rate thus came to 40.7%, a year-on-year increase of 1.1 points. Excluding Turkey, Russia and India (companies consolidated using the equity method), it came to 42.9%, against 42.6% in 2017.

The boom in the used vehicle financing business line continued with 355,274 contracts financed, a 11.1% increase on the previous year at the same period.

Average performing assets (APA)[1] came to €44.4 billion, showing 12.0% growth since 2017. Of this amount, €34.0 billion are directly attributable to the Retail Customer business, which posted a 13.6% rise.

Boosted by the growth of the automotive market and in new and used vehicle financing, the Services business saw increased activity, posting a 11.1% leap in volumes over the last twelve months. The number of services sold in 2018 amounted 4.8 million insurance policies and services contracts, of which 66% in customer- and vehicle-use related services.

The Europe Region, where new and used vehicle financing contracts were up 2.4% compared with 2017, reported a Financing penetration rate of 44.9%, against 43.3% the previous year.

In an unpredictable economic environment (mainly in Argentina), the Americas Region posted a Financing penetration rate of 35.0%, down 3.8 points on 2017. However Colombia, a subsidiary that joined the scope of consolidation last year, reported a high penetration rate of 47.5%.

The Asia-Pacific Region achieved the highest Financing penetration rate of the RCI group's Regions, at 56.8%. More than one in two new vehicles sold by Renault Samsung Motors was financed by RCI Bank and Services, which thus achieved an excellent sales performance.

Boosted by the sales drive shown by subsidiaries in the Africa/Middle-East/India Region, the Financing penetration rate escalated further to 27.8%, showing a 6.0-point increase compared with 2017.

The Eurasia Region posted a penetration rate of 27.0%, fuelled in particular by excellent performance turned in by Turkey, whose penetration rate improved by 1.7 points to 28.3%.

[1] Average performing assets: APA are equal to average performing assets plus assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at month-end. For Dealers, it means the average of daily performing assets.

PC + LUV[2] market		Financing penetration rate (%)	New vehicle contracts processed (thousands)	New financings excluding cards and PL (€m)	Net assets at year-end[3] (€m)	of which Customer net assets at year-end (€m)	of which Dealer net assets at year-end (€m)
Europe	**2018**	**44.9%**	**1,350**	**17,698**	**41,832**	**31,668**	**10,164**
	2017	43.3%	1,318	17,061	39,028	28,785	10,243
of which Germany	**2018**	**43.7%**	**185**	**2,785**	**7,472**	**6,097**	**1,375**
	2017	44.1%	184	2,739	6,808	5,333	1,475
of which Spain	**2018**	**54.6%**	**166**	**2,002**	**4,464**	**3,637**	**827**
	2017	54.2%	161	1,870	4,207	3,279	928
of which France	**2018**	**47.5%**	**472**	**6,030**	**14,324**	**10,664**	**3,660**
	2017	46.7%	455	5,815	13,315	9,606	3,709
of which Italy	**2018**	**63.4%**	**203**	**2,871**	**5,821**	**4,450**	**1,371**
	2017	60.0%	196	2,769	5 264	3,960	1,304
of which United Kingdom	**2018**	**33.6%**	**123**	**1,804**	**4,680**	**3,780**	**900**
	2017	29.1%	129	1,803	4,787	3,897	890
of which other countries	**2018**	**31.9%**	**201**	**2,206**	**5,071**	**3,040**	**2,031**
	2017	31.1%	193	2,065	4,647	2,710	1,937
Asia-Pacific (South Korea)	**2018**	**56.8%**	**65**	**950**	**1,578**	**1,565**	**13**
	2017	57.4%	72	1,095	1,561	1,541	20
Americas	**2018**	**35.0%**	**202**	**1,464**	**2,769**	**2,182**	**587**
	2017	38.8%	190	1,644	2,637	2,049	588
of which Argentina	**2018**	**23.1%**	**38**	**143**	**314**	**185**	**129**
	2017	35.9%	54	388	499	344	155
of which Brazil	**2018**	**38.3%**	**139**	**1,103**	**2,112**	**1,699**	**413**
	2017	37.8%	111	1,041	1,880	1,498	382
of which Colombia	**2018**	**47.5%**	**25**	**217**	**343**	**298**	**45**
	2017	51.6%	25	215	258	207	51
Africa - Middle-East - India	**2018**	**27.8%**	**56**	**286**	**493**	**383**	**110**
	2017	21.8%	53	253	416	331	85
Eurasia	**2018**	**27.0%**	**127**	**523**	**258**	**245**	**13**
	2017	26.7%	138	552	191	179	12
Total group	**2018**	**40.7%**	**1,799**	**20,922**	**46,930**	**36,043**	**10,887**
	2017	39.6%	1,771	20,604	43,833	32,885	10,948

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

CONSOLIDATED FINANCIAL HIGHLIGHTS 2018

In 2018, pre-tax income totaled €1,215 million, a strongest growth up 12.8% on 2017, despite an unfavorable exchange rate effect of €48 million. This record increase confirms the ability of RCI Bank and Services to maintain its profitable growth momentum.

Earnings

Net banking income (NBI) increased 18.6% compared with 2017, to €1,930 million. This increase is attributable to the combined growth of the Financing (12.0% growth in average performing assets, APA) and growth in Services activities (+16.8% compared with the previous year).

Operating expenses came to €563 million or 1.27% of APA, a 5-basis point decrease compared with last year. The operating ratio remained at a significantly low level compared with the market and for the first time below 30%, at 29.2%, evidencing the group's ability to control its operating costs while supporting its strategic plans and business growth.

The total cost of risk came to 0.33% of APA, a level well under control after a low point of 0.11% at end-2017, confirming a robust underwriting and collection policy. The Customer cost of risk (financing for private and business customers) remained under control at -0.51% of APA in 2018 against a historic low of 0.19% in 2017. Since the switch to IFRS 9, the cost of risk includes an allocation to provisions for performing loans outstanding and off-balance sheet commitments. Implementation of this standard in 2018 has led to an increase in the cost of risk due to portfolio growth.

For the Dealer business (financing for dealerships), the cost of risk was negative as in 2017 at -0.33% of APA in 2018 against -0.15% the previous year. New reversals of provisions were recognized on this item, which remained stable in amount and quality.

Pre-tax income came to €1,215 million, showing a 12.8% increase compared with the previous year, despite an adverse foreign exchange impact of €48 million attributable to the fall in the value of the Brazilian Real and the Argentine Peso.

Consolidated net income - parent company shareholders' share - came to €858 million, against €721 million for 2017.

On January 9th 2019, Italy's competition authority AGCM (Autorità Garante della Concorrenza e del Mercato) announced it had fined a number of car manufacturer's financial captives operating in Italy for exchanging commercial information. The total amount of fines imposed by the AGCM is €678 million. The amount notified against RCI Italian branch amounts to €125 million. As of December 31st 2018, RCI does not hold provisions related to that penalty claim. RCI Banque will appeal to the Administrative Court to contest the decision.

Balance sheet

Good commercial performances, especially in Europe, drove historic growth in net assets[(1)] at end-December 2018 to €46.9 billion, against €43.8 billion at end-December 2017 (+7.1%).

Consolidated equity amounted to €5,307 million against €4,719 million at end-December 2017 (+12.5%).

Deposits from retail customers in France, Germany, Austria and the United Kingdom (sight and term deposits) totaled €15.9 billion at end-December 2018 against €14.9 billion at end-December 2017 and represented approximately 34% of net assets at end-December 2018.

Profitability

ROE[(2)] rose to 19.2%[(3)] against 18.6% in December 2017.

Solvency[(4)]

The Core Tier One Ratio[(5)] was 15.5% at end-December 2018 against 15.0% at end-December 2017.

Consolidated income statement (in million euros)	**12/2018**	12/2017	12/2016
Net banking income	**1,930**	1,628	1,472
General operating expenses*	**(575)**	(522)	(463)
Cost of risk	**(145)**	(44)	(104)
Share in net income (loss) of associates and joint ventures	**15**	15	7
Income (loss) on exposure to inflation**	**(10)**		
Consolidated pre-tax income	**1,215**	**1,077**	**912**
Consolidated net income (parent company shareholders' share)	**858**	**721**	**602**

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

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

Consolidated balance sheet (in million euros)	**12/2018**	12/2017	12/2016
Total net outstandings of which	**45,956**	42,994	37,544
• *Retail customer loans*	***23,340***	*21,609*	*18,802*
• *Finance lease rentals*	***11,729***	*10,437*	*8,675*
• *Dealer loans*	***10,887***	*10,948*	*10,067*
Operating lease transactions net of depreciation and impairment	**974**	839	715
Other assets	**6,464**	5,876	5,061
Shareholders' equity of which	**5,320**	4,732	4,072
• *Equity (total)*	***5,307***	*4,719*	*4,060*
• *Subordinated debts*	***13***	*13*	*12*
Bonds	**18,903**	17,885	14,658
Negotiable debt securities (CD, CP, BT, BMTN)	**1,826**	1,182	1,822
Securitization	**2,780**	2,272	3,064
Customer savings accounts - Ordinary accounts	**12,120**	11,470	9,027
Customer term deposit accounts	**3,743**	3,464	3,549
Banks, central banks and other lenders (including Schuldschein)	**5,849**	5,854	4,536
Other liabilities	**2,853**	2,850	2,592
BALANCE SHEET TOTAL	**53,394**	49,709	43,320

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

(2) ROE (Return on equity), is calculated by dividing net income for the period by average net equity (excluding Income for the period).

(3) Excluding the €47 million deferred tax impact, ROE came to 18.1%.

(4) The impact of IFRS 9 adoption had an estimated impact on the solvency ratio of -0.06%.

(5) Ratio including the profits of the year 2018 net of the dividends that RCI Banque plans to pay to its shareholder, subject to the approval of the regulator in accordance with Article 26 § 2 of Regulation (EU) No 575/2013.

FINANCIAL POLICY 2018

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

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

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

After peaking at 0.50% in February, the 5-year swap rate ended down 12 basis points at 0.20%.

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

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

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

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

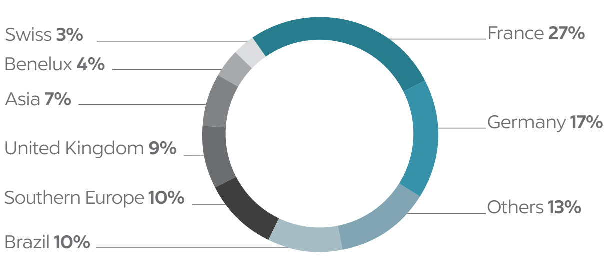
In addition, the group's entities in Brazil, South Korea, Morocco, Argentina and for the first time Columbia also tapped their domestic bond markets.

Retail customer deposits have increased by €0.9 billion since December 2017 and at 31 December 2018 totaled €15.9 billion, representing 34% of net assets at the end of December, in line with the company's goal of collecting retail deposits equivalent to approximately one third of the financing granted to its customers.

[1] Euro Stoxx 50 down 15%.
[2] Iboxx EUR Non-Financial up 56 bp, Iboxx Auto up 95 bp.

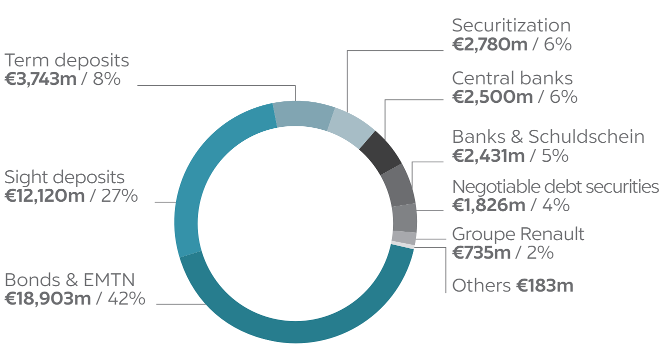
Geographical breakdown of new resources with a maturity of one year or more

(excluding deposits and TLTRO)
as at 31/12/2018



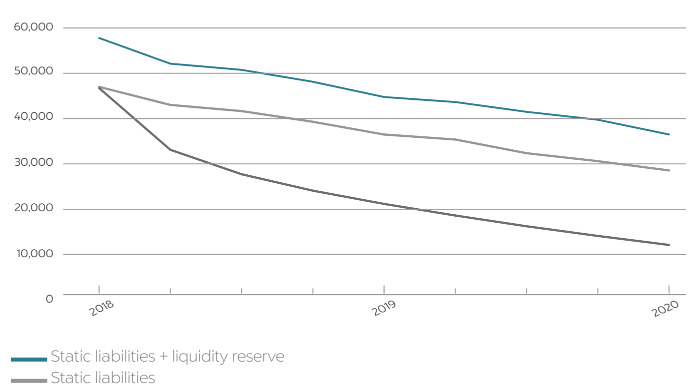
Structure of total debt

as at 31/12/2018



Static liquidity position[3]

(in million euros)



[3] Scope: Europe

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

FINANCIAL POLICY 2018

These resources, to which should be added, based on the European scope, €4.4 billion of undrawn committed credit lines, €3.8 billion of assets eligible as collateral in ECB monetary policy operations, €2.2 billion of high quality liquid assets (HQLA) and €0.4 billion of financial assets, enable RCI Banque to maintain the financing granted to its customers for almost 12 months without access to external sources of liquidity.

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

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

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

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

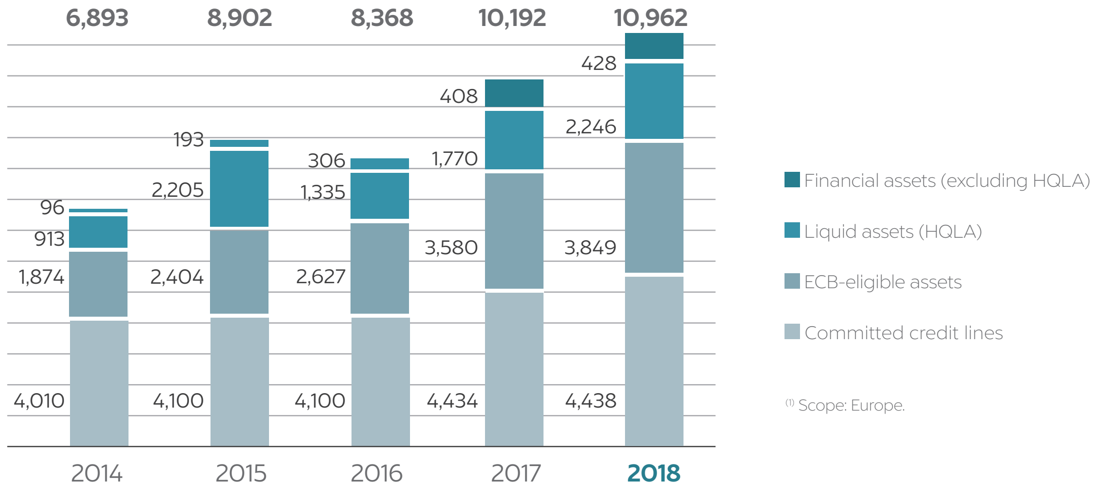
+€3.4 million in EUR,
+€1.4 million in MAD,
+€0.8 million in GBP,
+€0.3 million in KRW,
-€0.4 million in BRL,
-€0.4 million in CZK,
-€0.7 million in CHF.

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

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

Liquidity reserve[1]

(in million euros)



(1) Scope: Europe.

Group's programs and issuances

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

Issuer	Instrument	Market	Amount	S&P	Moody's	Others
RCI Banque S.A.	Euro CP Program	Euro	€2,000m	**A-2** (stable outlook)	**P2**	**R&I: A-1** (positive outlook)
RCI Banque S.A.	Euro MTN Program	Euro	€23,000m	**BBB** (stable outlook)	**Baa1** (positive outlook)	**R&I: A-** (positive outlook)
RCI Banque S.A.	NEU CP[2] Program	French	€4,500m	**A-2** (stable outlook)	**P2**	
RCI Banque S.A.	NEU MTN[3] Program	French	€2,000m	**BBB** (stable outlook)	**Baa1** (positive outlook)	
Diac S.A.	NEU CP[2] Program	French	€1,000m	**A-2** (stable outlook)		
Diac S.A.	NEU MTN[3] Program	French	€1,500m	**BBB** (stable outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000m		**Aa1.ar** (stable outlook)	Fix Scr: **AA (arg)** (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,520bn[4]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,414m[4]		**Aaa.br** (stable outlook)	
RCI Finance Maroc	BSF Program	Moroccan	MAD2,000m			
RCI Leasing Polska	Bond Program	Polish	PLN500m			
RCI Colombia S.A. Compañia de Financiamiento	CDT: Certificado de Depósito a Término	Colombian	COP305bn[4]	**AAA.co**		

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

RCI BANK AND SERVICES

BANK AND SERVICES

AUDITORS' REPORT

31 December 2018

ERNST & YOUNG Audit

KPMG S.A.
Siège social
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

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

RCI Banque S.A.

Statutory auditors' report on the consolidated financial statements

Year ended 31st December 2018
RCI Banque S.A.
15, rue d'Uzès - 75002 Paris
This report contains 90 pages

ERNST & YOUNG Audit

KPMG S.A.
Siège social
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
France

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

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.

RCI Banque S.A.

Registered office: 15, rue d'Uzès - 75002 Paris
Share capital: €.100.000.000

Statutory auditors' report on the consolidated financial statements

Year ended 31st December 2018

To the general meeting of RCI Banque S.A.,,

Opinion

In compliance with the engagement entrusted to us by your general meetings, we have audited the accompanying consolidated financial statements of RCI Banque for the year ended 31st December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31st December 2018 and of the results of its operations for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

We draw attention to the matter described in Note 3.A to the consolidated financial statements relating to changes in accounting policies which describes the application of IFRS 9 "*Financial instruments*" as of 1st January 2018. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Calculation of expected credit losses on retail and wholesale receivables in accordance with the new accounting standard IFRS 9

Key Audit Matter

Your Company books provisions to cover the risk of non-recovery of loans granted to customers. Since January 1st, 2018, your Company has applied IFRS9 "Financial Instruments", which defines in particular a new methodology for estimating provisions based on expected credit losses on healthy outstandings (bucket 1), outstandings with a significant increase in risk since initial recognition (bucket 2) and outstandings delinquent / defaulted (bucket 3) and no longer just for effective proven credit risk.

The consequences of the first-time application of IFRS 9 are detailed in section 3.A of the Notes to the consolidated financial statements. The impact on the Group's equity at January 1st, 2018 amounted to € 128 million, comprising € 121 million related to the impairment of expected credit losses (excluding deferred tax).

Indeed, the estimate of credit impairment goes from a provisioning model of credit losses to a provisioning model for expected credit losses as indicated in the above-mentionned section.

We consider the initial application of this standard as of 1st January 2018 and its implementation as of 31st December as a key audit matter due to the importance of retail and wholesale receivables in the bank's balance sheet, the use of many parameters and assumptions in calculation models and the use of judgment in determining the models and assumptions used to estimate expected credit losses.

Our audit response

As part of our audit of your Company's consolidated financial statements, our work consisted mainly in:

- examining the methodological principles applied for the model structuring, in order to verify their compliance, for the key aspects, with the principles of IFRS 9;
- appreciating the actual governance for the approval of parameters and key assumptions used for those models or used for the review of the losses made during the accounting period (back-testing);
- carrying out an assessment on the key controls, the IT software, the booking of the Retail and Wholesale credit portfolios and the split per bucket of receivables. It covers also the quality of the interface of the IT application used for the calculation of the credit expected losses. Our audit teams were assisted by experts from our audit firms, specialized in the audit of information systems and credit risk modeling;
- regarding the retail scope:
  - testing for a representative sample of retail credit contracts the accuracy of the parameters included which serve for the calculations of the "Probability of Default" and the "Loss Given Default" by tying them back to related contracts;
  - re-performing on the same sample the "Expected Credit Losses" calculation at the 2018 opening financial situation and 31st October financial situation and conducting analytical procedures on the evolution of the "Expected Credit Losses" until 31st December 2018
- regarding the wholesale scope:
  - testing the completeness of the RCI G6 data and ensuring the accuracy of the parameters included which serve for the calculations of the "Probability of Default" and the "Loss Given Default" by tying them back to related contracts;
  - re-performing the "Expected Credit Losses" calculation for French activities at the 2018 opening financial situation and validating the completeness of the Wholesale credit data for the RCI G6 scope as of December 31st, 2018

- evaluating the methodology used to determine the "forward-looking" impact, including the assumptions used to establish macroeconomic scenarios, to measure the weighting of those scenarios and their incidences on risk parameters;
- conducting analytical procedures on the evolution of the retail and wholesale receivables and related credit risk provisions from one fiscal year to the next;
- assessing the accuracy of the information disclosed in Note 6 to the consolidated financial statements.

Specific verifications

As required by French laws and regulations, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the management report of board of directors.

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

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of RCI Banque S.A. by the annual general meeting held on 22nd May *2014* for KPMG S.A. and on 27th June 1980 for ERNST & YOUNG Audit.

As at 31st December 2018, KPMG S.A. and ERNST & YOUNG Audit were respectively in the 5th year and 39th year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

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

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

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

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

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

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

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in

France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics *(Code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 14th March 2019

The statutory auditors

French original signed by

Valéry Foussé

Luc Valverde

CONSOLIDATED FINANCIAL STATEMENTS OF THE RCI BANQUE GROUP

31 December 2018

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	12/2018	12/2017
Cash and balances at central banks	2	2 040	1 303
Derivatives	3	123	123
Financial assets available for sale and other financial assets	4		1 287
Financial assets at fair value through other comprehensive income	4	902	
Financial assets at fair value through profit or loss	4	166	
Amounts receivable at amortised cost from credit institutions	5	1 033	1 124
Loans and advances at amortised cost to customers	6 et 7	46 587	43 430
Current tax assets	8	26	36
Deferred tax assets	8	145	112
Tax receivables other than on current income tax	8	208	231
Adjustment accounts & miscellaneous assets	8	953	1 009
Investments in associates and joint ventures	9	115	102
Operating lease transactions	6 et 7	974	839
Tangible and intangible non-current assets	10	39	29
Goodwill	11	83	84
TOTAL ASSETS		**53 394**	**49 709**

LIABILITIES AND EQUITY - In millions of euros	Notes	12/2018	12/2017
Central Banks	12.1	2 500	2 500
Derivatives	3	82	118
Amounts payable to credit institutions	12.2	2 431	2 444
Amounts payable to customers	12.3	16 781	15 844
Debt securities	12.4	23 509	21 339
Current tax liabilities	14	124	108
Deferred tax liabilities	14	472	422
Taxes payable other than on current income tax	14	24	28
Adjustment accounts & miscellaneous liabilities	14	1 543	1 632
Provisions	15	148	124
Insurance technical provisions	15	460	418
Subordinated debt - Liabilities	17	13	13
Equity		5 307	4 719
- Of which equity - owners of the parent		*5 262*	*4 684*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*3 923*	*3 421*
Unrealised or deferred gains and losses		*(333)*	*(272)*
Net income for the year		*858*	*721*
- Of which equity - non-controlling interests		*45*	*35*
TOTAL LIABILITIES & EQUITY		**53 394**	**49 709**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2018	12/2017
Interest and similar income	25	2 095	1 992
Interest expenses and similar charges	26	(702)	(769)
Fees and commission income	27	545	492
Fees and commission expenses	27	(213)	(209)
Net gains (losses) on financial instruments at fair value through profit or loss	28	(31)	18
Net gains (losses) on AFS securities and other financial assets			(4)
Income of other activities	29	977	808
Expense of other activities	29	(741)	(700)
NET BANKING INCOME		**1 930**	**1 628**
General operating expenses	30	(565)	(514)
Depreciation and impairment losses on tangible and intangible assets		(10)	(8)
GROSS OPERATING INCOME		**1 355**	**1 106**
Cost of risk	31	(145)	(44)
OPERATING INCOME		**1 210**	**1 062**
Share in net income (loss) of associates and joint ventures	9	15	15
Gains less losses on non-current assets			
Impact of Profit & Loss for Subisidiaries in Hyperinflation Context		(10)	
PRE-TAX INCOME		**1 215**	**1 077**
Income tax	32	(333)	(329)
NET INCOME		**882**	**748**
Of which, non-controlling interests		24	27
Of which owners of the parent		858	721
Net Income per share (1) in euros		857,80	720,85
Diluted earnings per share in euros		857,80	720,85

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	**12/2018**	**12/2017**
NET INCOME	**882**	**748**
Actuarial differences on post-employment benefits	2	(1)
Total of items that will not be reclassified subsequently to profit or loss	***2***	***(1)***
Unrealised P&L on cash flow hedge instruments	3	(2)
Unrealised P&L on financial assets		1
Exchange differences	(65)	(78)
Total of items that will be reclassified subsequently to profit or loss	***(62)***	***(79)***
Other comprehensive income	**(60)**	**(80)**
TOTAL COMPREHENSIVE INCOME	**822**	**668**
Of which Comprehensive income attributable to non-controlling interests	25	22
Comprehensive income attributable to owners of the parent	797	646

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital (1)	Attribut. reserves (2)	Consolid. reserves	Translation adjust. (3)	Unrealized or deferred P&L (4)	Net income (Shareholders of the parent company)	**Equity** (Shareholders of the parent company)	Equity (Non-controlling interests)	**Total Consolidated equity**
Equity at 31 December 2016*	**100**	**714**	**2 827**	**(175)**	**(22)**	**602**	**4 046**	**14**	**4 060**
Appropriation of net income of previous year			602			(602)			
Equity at 1 January 2017*	**100**	**714**	**3 429**	**(175)**	**(22)**		**4 046**	**14**	**4 060**
Change in value of financial instruments recognized in equity					2		2	(3)	(1)
Actuarial differences on defined-benefit pension plans					(1)		(1)		(1)
Exchange differences				(76)			(76)	(2)	(78)
Net income for the year (before appropriation)						721	721	27	748
Total comprehensive income for the period				***(76)***	***1***	***721***	***646***	***22***	***668***
Effect of acquisitions, disposals and others			(2)				(2)	20	18
Dividend for the year								(53)	(53)
Repurchase commitment of non-controlling interests			(6)				(6)	32	26
Equity at 31 December 2017	**100**	**714**	**3 421**	**(251)**	**(21)**	**721**	**4 684**	**35**	**4 719**
Appropriation of net income of previous year			721			(721)			
Restatement of Equity opening amount (5)			(82)				(82)	(7)	(89)
Equity at 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 (6)			(150)				(150)	(13)	(163)
Repurchase commitment of non-controlling interests			4				4	(6)	(2)
Equity at 31 December 2018	**100**	**714**	**3 923**	**(313)**	**(20)**	**858**	**5 262**	**45**	**5 307**

(1) The share capital of RCI Banque S.A. (100 million euros) consists of 1,000,000 fully paid up ordinary shares with par value of 100 euros each, of which 999,999 ordinary shares are owned by Renault S.A.S.

(2) Attributable reserves include the share premium account of the parent company.

(3) The change in translation adjustments at 31 December 2018 relates primarily to Argentina, Brazil, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco. At 31 December 2017, it related primarily to Argentina, Brazil, the United Kingdom, South Korea, Russia and Turkey.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for -€8m and IAS 19 actuarial gainsand losses for -€12m at end-December 2018.

(5) Restatement following the first time application of IFRS 9 (refer to IAS 39 to IFRS 9 transition table).

(6) Payment of an interim dividend to the Renault shareholder of €150M in the group share of equity.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	**12/2018**	**12/2017**
Net income attributable to owners of the parent company	**858**	**721**
Depreciation and amortization of tangible and intangible non-current assets	9	7
Net allowance for impairment and provisions	158	50
Share in net (income) loss of associates and joint ventures	(15)	(15)
Deferred tax (income) / expense	50	83
Net loss / gain from investing activities	4	4
Net income attributable to non-controlling interests	24	27
Other (gains/losses on derivatives at fair value through profit and loss)	(12)	(10)
Cash flow	**1 076**	**867**
Other movements (accrued receivables and payables)	(222)	(15)
Total non-monetary items included in net income and other adjustments	***(3)***	***130***
Cash flows on transactions with credit institutions	337	1 155
- Inflows / outflows in amounts receivable from credit institutions	*100*	*(6)*
- Inflows / outflows in amounts payable to credit institutions	*237*	*1 161*
Cash flows on transactions with customers	(2 957)	(3 513)
- Inflows / outflows in amounts receivable from customers	*(3 963)*	*(6 184)*
- Inflows / outflows in amounts payable to customers	*1 006*	*2 671*
Cash flows on other transactions affecting financial assets and liabilities	2 833	1 874
- Inflows / outflows related to AFS securities and similar	*228*	*(351)*
- Inflows / outflows related to debt securities	*2 355*	*2 211*
- Inflows / outflows related to collections	*250*	*14*
Cash flows on other transactions affecting non-financial assets and liabilities		61
Net change in assets and liabilities resulting from operating activities	**213**	**(423)**
Net cash generated by operating activities (A)	**1 068**	**428**
Flows related to financial assets and investments	(69)	(23)
Flows related to tangible and intangible non-current assets	(19)	(8)
Net cash from / (used by) investing activities (B)	**(88)**	**(31)**
Net cash from / (to) shareholders	(150)	(49)
- Dividends paid	*(163)*	*(53)*
- Inflows / outflows related to non-controlling interests	*13*	*4*
Net cash from / (used by) financing activities (C)	**(150)**	**(49)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (I	**(13)**	**(12)**
Change in cash and cash equivalents (A+B+C+D)	**817**	**336**
Cash and cash equivalents at beginning of year:	1 975	1 639
- Cash and balances at central banks	*1 303*	*1 040*
- Balances in sight accounts at credit institutions	*672*	*599*
Cash and cash equivalents at end of year:	2 792	1 975
- Cash and balances at central banks	*2 018*	*1 303*
- Credit balances in sight accounts with credit institutions	*916*	*906*
- Debit balances in sight accounts with credit institutions	*(142)*	*(234)*
Change in net cash	**817**	**336**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The RCI Banque group consolidated accounts at 31 December 2018 were approved by the Board of Directors meeting on 8 February 2019 and will be put before the Annual General Meeting on 22 May 2019 for its approval. It has been decided to pay an interim dividend of €150M to the Renault shareholder.

The RCI Banque consolidated accounts for the financial year to 31 December 2017 were approved by the Board of Directors meeting on 12 February 2018 and approved by the Annual General Meeting on 22 May 2018. Said meeting decided not to pay dividends on the 2017 results.

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

2. KEY HIGHLIGHTS

Changes in the scope of consolidation in 2017

- Entering into the consolidation perimeter by overall integration, on 1 January 2018, the RCI Servicios Colombia S.A. was fully integrated into the consolidation perimeter, with a holding of 94.98%. Its business consists of offering services related to customer and network sales in Colombia.

- New issues of Securitisation Mutual Funds:
  - On 13 April 2018 the FCT Cars Alliance Auto Loans France V 2018-1 issued senior debt securities for €700M and subordinate debt securities for €22.8M, rated AAA (sf)/Aaa (sf) and AA (high)(sf)/Aa3(sf) respectively by DBRS and Moody's.
  - On 20 July 2018 the FCT Cars Alliance DFP France issued senior debt securities for €1,000M rated AA(sf) and Aa2(sf) by DBRS and Moody's.

Foreign affiliates that do not have a tax agreement with France

In accordance with the Order of 6 October 2009 in application of Article L. 511-45 of the *Code monétaire et financier* (French Monetary and Financial Code), RCI Banque declares that it has a 95% holding in RCI Servicios Colombia S.A. in Colombia.

The business of RCI Servicios Colombia S.A. consists in receiving commissions on lending provided to a business partner. This affiliate's main management indicators are monitored on a monthly basis. At 31 December 2018, its income before tax came to €1.00m.

Other information to be reported for 2018:

Hyperinflation: Argentina has moved into hyperinflation. As the RCI Banque group has subsidiaries there, its impact is thus included at end December 2018 in the result under inflation exposure.

Brexit, which is scheduled for 29 March 2019, has not resulted in provisions for liabilities and charges in the RCI Banque group at 31 December 2018.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, the RCI Banque group has prepared its consolidated financial statements for 2018 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) to 31 December 2018 and as adopted in the European Union by the statement closing date.

A) Changes in accounting policies

The RCI Banque group applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2018.

New regulations that must be applied at 1 January 2018	
Amendment to IFRS 2	Amendment to IFRS 2
Amendments to IAS 40	Amendments to IAS 40
Amendments to IFRS 4	Amendments to IFRS 4
IFRS 9	IFRS 9
IFRS 15 and subsequent amendments	IFRS 15 and subsequent amendments
2014-2016 annual improvements	2014-2016 annual improvements

Changes relating to the application of IFRS 9 and 15 are given below.

Other standards and amendments that must be applied from 1 January 2018 have no significant effect on the group's financial statements.

<u>IFRS 9 - Financial Instruments</u>:

On 29 November 2016, the European Union published in its Official Journal IFRS 9 "Financial Instruments" which is applied to the RCI Banque group's consolidated accounts as from 1 January 2018. The requirements of IFRS 9 have introduced numerous changes compared to the principles set out in IAS 39 "Financial Instruments – Recognition and Measurement". Major changes in the group's accounting principles are given below.

The changes brought by IFRS 9 include:

- an approach to the classification and measurement of financial assets reflecting the business model in which they are managed and their contractual cash flows: loans and debt instruments that are not considered as "basic" under the standard (Solely Payments of Principal and Interest) will be measured at fair value through profit or loss, whereas "basic" loans and debt instruments will be measured at amortized cost or fair value through equity, depending on the management model used for those assets. The changes relating to financial liabilities concern liabilities measured at fair value through profit or loss on option, for which changes in own credit risk must be recognized in equity.

- a single credit risk impairment model: IFRS 9 moves from provisioning based on actual credit losses to a forward-looking provisioning model based on expected credit losses:
  - The new impairment model will require 12-month expected credit losses on issued or acquired instruments to be booked as soon as those instruments are recognized on the balance sheet and off balance sheet.
  - Lifetime expected credit losses will have to be recognized whenever there is a significant increase in credit risk since initial recognition.

- a noticeably reformed approach to hedge accounting: the aim of the IFRS 9 model is to better reflect risk management, notably by extending risks eligible for hedging. Pending a future macro-hedging standard, IFRS 9 allows current hedge accounting rules (IAS 39) to be applied to all hedging relationships or just to macro hedging relationships.

In RCI Banque, these are the main steps implemented for the transition to IFRS 9 "Financial Instruments":

- Classification of financial assets (phase 1):

a. Business model criteria

Generally speaking, the RCI Banque group's business model is as follows; the aim is to
- retain customer contracts so as to collect contractual cash flows ("collect business model")
- hold securities so as to collect cash and sale flows ("collect & sale business model")

In light of RCI Banque's activity and management mandates, there is no intention or realization of trading / realization of gains or losses in relation to a change of market value of the financial instrument under consideration that would justify measurement of the financial instrument at fair value through profit or loss.

b. SPPI test (solely payment of principal and interest)

In addition to the aforementioned business model criteria, a second test relating to contractual payment flows is to be implemented to determine the method of measuring financial instruments. The test is going to check whether positive cash-flow only meets repayment of the principal and interest on the principal remaining due.

A SPPI test has been uniformly developed in accordance with IFRS 9 in the group.

As a result:
UCITS measured at fair value through other comprehensive income (FVOCI) are now to be measured at fair value through profit or loss (FVP&L). This is the only type of asset that does not pass SPPI tests at RCI.
With respect to the other categories of financial assets under IFRS 9, in particular financing receivables, SPPI tests are validated.

- Presentation of the new IFRS 9 categories

Assets:
Changes to be noted are:
- UCITSs are now measured at fair value through P&L (under IAS 39, they were measured at fair value through OCI).
- non consolidated investments valued at historic cost, in accordance with IAS 39, are now valued at fair value through P&L.

There are no measurement changes for any other categories.

Liabilities:
IFRS 9 does not make any changes in the classification and valuation of financial liabilities.

- Significant deterioration in risk (definition of bucketing):

Each financial instrument included within the scope of IFRS 9 will, at statement closing date, have to be risk-classified. The risk category in which it is classified will depend on whether or not it has undergone any significant deterioration in its credit risk since its initial recognition. The level of provisioning for expected credit losses to be booked for each instrument will depend on this classification:
- Bucket 1: no deterioration or insignificant deterioration in credit risk since origination;
- Bucket 2: significant deterioration in credit risk since origination or non investment grade financial counterparty;
- Bucket 3: deterioration in credit risk such that a loss is incurred (default category).

This segmenting of transactions by level of risk, brought in by the standard, will have to be embedded in the credit risk monitoring and management processes used by the group's entities, and implemented in operational systems.

The date of origination is defined for each individual financial instrument, not for each counterparty (e.g. date on which business relationship initiated).
The date of origination is defined as follows:

- for irrevocable financing commitments, the date of origination is the date on which the commitment is signed, or in the case of Dealer financing commitments, the date of the most recent review of limits
- for instalment loan outstandings, finance lease and operating lease transactions, the date of origination is the date on which they come under management, i.e. date on which the financing commitment is reversed and the receivable recognized on the balance sheet.
- for Dealer credit "single account" outstandings, the date of origination will be the date on which the account most recently went into a negative balance.
- for securities, the date of origination is the date of purchase.

Indicators for identifying significant deterioration in risk since origination

The RCI Banque group has analyzed the fitness for purpose and availability of these indicators, and their appropriateness from the risk management perspective across all of these portfolios.
In line with the principle of proportionality, this analysis identified a number of main portfolio families according to the following criteria:

- Geographical criteria: countries that have an internal rating system for most of their outstandings based on behavioral scores used to monitor the quality of facilities in the portfolio are to be identified separately. These countries are known as the "G7 countries". The other countries have approval scoring but do not have internal rating systems that are updated during the receivable lifecycle.

- Product criteria: loans to Customers or Dealers, which are subject to advanced monitoring by means of specific indicators, need to be looked at separately from other more "marginal" types of product in the group's activities, such as factoring, the securities portfolio and operating leases.

- Customer criteria: a distinction needs to be made between the different customer bases considered, for example Consumers, Dealer network, very large companies, and even banks and governments (for securities)

On the basis of the work and analyses performed, the system defined within the RCI Banque group takes into account the segmentation characteristics mentioned above. On this basis, the approach to monitoring significant deterioration in risk for non-doubtful facilities relies on the following indicators:

1. Portfolios covered by an internal rating system: the internal rating must be used;
2. Portfolios that do not have any internal rating but do have external ratings: the external rating must be considered if the information is available at a reasonable cost and within a reasonable time limit;
3. All portfolios: significant deterioration in risk will also use the number of days' arrears indicator;
4. All portfolios: the forbearance indicator must be considered as a "qualitative" indicator for downgrading to bucket 2.

Where the indicator used is an internal or external rating, significant deterioration will be measured by comparing the counterparty's rating on the reporting date with the counterparty's rating on the date of origination of the facility.

There is no contagion principle in IFRS 9 for non-doubtful facilities; an entity may have various contracts with a given counterparty that are in different buckets, as credit risk is assessed in relation to contract origination.
As regards entities that do not have an internal rating system for their loans to customers, the RCI Banque group has decided to introduce a memory effect with respect to the existence of past arrears, meaning that once an overdue payment has been settled, the facility concerned will temporarily remain in bucket 2.

Rebuttable presumption of significant deterioration when payments are more than 30 days past due
The standard introduces a rebuttable presumption for payments that are more than 30 days past due §5.5.11. It allows use of this presumption as a safety net on top of other, earlier, indicators of a significant increase in credit risk.
This presumption is aligned with risk monitoring and management practices within the RCI Banque group.
Consequently, the group has decided not to refute this presumption and to consider that all facilities for which payments are more than 30 days past due are in bucket 2.

Rebuttable presumption of signification deterioration when payments are 90 days past due
IFRS 9 indicates a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless the entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.
This presumption is aligned with the current definition of default within the RCI Banque group as presented above.
Consequently, the group has decided not to refute this presumption and to consider that all facilities with payments that are more than 90 days past due are in bucket 3.
This presumption may however be refuted for certain targeted portfolios (e.g. loans to large companies) with the agreement of the Corporate risk department concerned. At each statement closing date, facilities for which this

presumption has been refuted will be listed and the reason duly documented.

• The write-off policy including factors enabling the conclusion that there is no reasonable expectation of recovery

The treatment of write-offs is detailed in IFRS 9 §5.4.4: the gross carrying amount of a financial asset shall be reduced when there are no reasonable expectations of recovery. The standard states that a definition of the downgrade is needed so that the gross carrying amount is represented fairly. A write-off is considered a derecognition event and may relate to either the financial asset in its entirety or a portion of it.

The current group standard for writing off receivables as bad debt is in line with the definition given by IFRS 9. Subsidiaries are required to remove outstandings from the balance sheet through a loss account once it has been confirmed that they will never be collected, which therefore means no later than when the subsidiaries' rights as creditors are extinguished.

In particular, receivables become irrecoverable (bad debt) and are therefore removed from the balance sheet if they are:

- receivables write-off of which has been negotiated with the customer, for example as part of a recovery or remedial plan
- time-barred claims
- receivables in respect to which an unfavorable legal ruling has been issued (negative outcome of proceedings initiated or legal action)
- claims against a customer who has vanished

- Definition of default used at RCI Banque

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

It is also important to note that at the RCI Banque group level, the notion of "doubtful" used in accounting and the Basel notion of "default" are closely aligned.

The decision to take the doubtful debt accounting notion existing under IAS 39 as a basis for identifying B3 assets was made for the following reasons:
- Insignificant differences between the two notions
- Continuity in the doubtful debt base between IAS 39 and IFRS 9

As a reminder, with respect to the "Customer" business, a receivable is considered as doubtful as soon as:
- one or more instalments have remained unpaid for at least three months,
- or the deterioration in the counterparty's financial circumstances translates into a risk of non-collection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets, or in the event of summons to appear before an international court.
- or there are litigation proceedings between the establishment and its counterparty.

With respect to the Dealer business, the definition of default is covered by a specific procedure based on:
- the existence of an instalment that has remained unpaid for more than three months (or first unpaid instalment on a forborne exposure)
- the existence of a collective procedure
- the presence of indicators that express uncertainty as to future payment such as financial contract end, actual fraud…

Reminder: Compromised receivables are doubtful loans for which the likelihood of collection is remote and that are expected to be written off.
A receivable is classified as compromised when the counterparty is declared to have defaulted, or in leasing, when the lease agreement is terminated, and in any event, one year at the latest after the receivable has been classified as doubtful.
If after a receivable has been reclassified as sound, the debtor does not meet the payment deadlines set, that receivable is immediately downgraded to compromised receivable status.

Purchased or originated credit impaired loans (POCI): these financial assets, which are credit-impaired at the time of their creation (loans to a doubtful dealer for example) are treated differently, as they are impaired at initial recognition. Such transactions are classified in Bucket 3 at initial recognition.
Within the RCI Banque group, this category mainly concerns the Dealer customer base, which may continue to receive financing even when the dealer has been classified as defaulted. This category of receivables must be kept to a minimum and is subject to Risk Committee agreement.
The acquisition of receivables (doubtful or sound) is not part of the RCI Banque group's business model.

The following are not included as receivables in default:

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

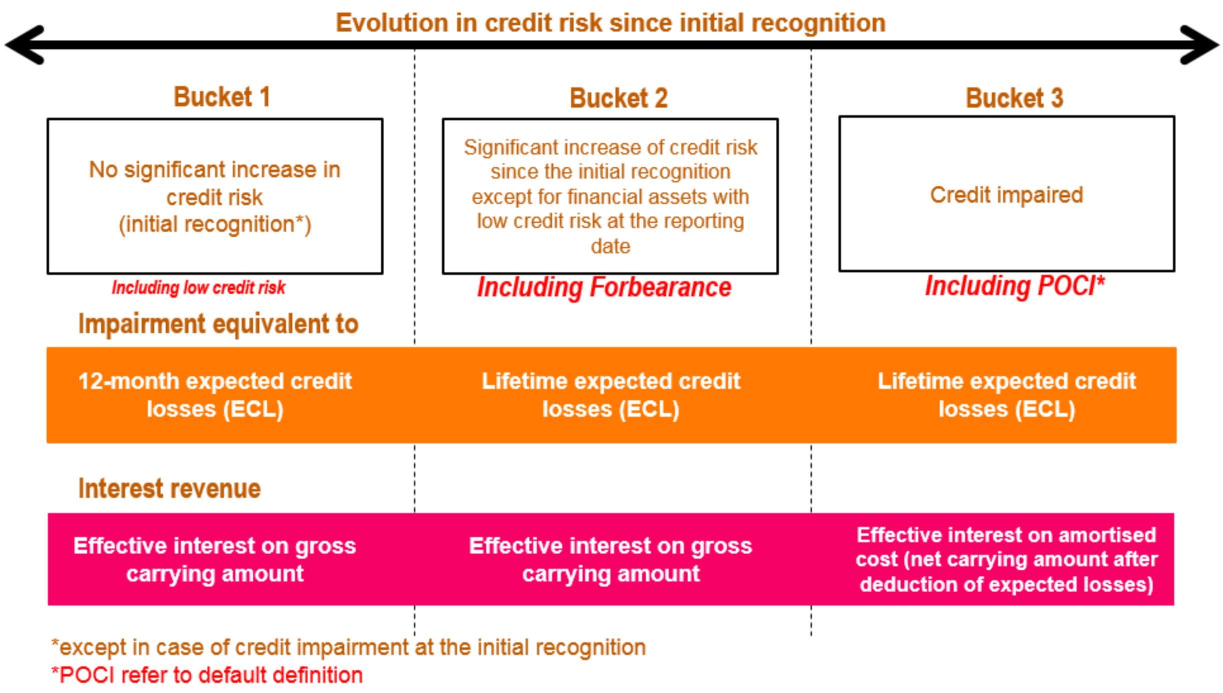
- Calculating ECL (phase 2):

Under IFRS 9, there is no longer any need for an operative event to occur for an impairment to be booked, as was the case under IAS 39 ("incurred loss"). Thus, all financial instruments within the scope of the standard are assigned an impairment for expected losses at initial recognition:

- At initial recognition, the instrument is assigned a loss allowance representing 12-month expected credit losses (Bucket 1).
- If there has been a significant increase in credit risk since initial recognition, the instrument is then assigned a loss allowance representing lifetime expected credit losses.

The provisioning model covers assets measured at amortized cost or at fair value through OCI (as per the classification resulting from Phase 1) and must align with the monitoring of increasing credit risk.

This general impairment model can be illustrated as follows:



The main guidelines for this new provisioning model are as follows:

1. The aim is a relative approach to deterioration per instrument rather than an absolute approach based on the crossing of a single risk threshold.

2. The provisioning model for expected losses has to be applied symmetrically in the event of a deterioration in credit risk as well as in the event of an improvement

3. The system has to be prospective (forward-looking) with respect not only to aspects of significant deterioration in credit risk, but also in the measurement of expected credit losses

In calculating expected credit losses, the Standard requires entities to incorporate relevant (validated) internal and external information that is reasonably available, in order to make prospective (forward-looking) estimates of credit losses, which includes information about past events, current conditions and forecasts of future events and economic conditions.

In order to assess potential impacts related to macro-economic expectations, an assessment is also required for each of these terms of any links they have with the macro-economic variables, which might then be the subject of specific monitoring when implementing the operational provisioning process.

IFRS 9 stipulates that assessments should consider all the contractual terms of the instrument. The estimates take into account Balance sheet/Off-balance sheet exposures adjusted for future drawdowns and/or early repayments.

As a reminder, a lifetime expected credit loss calculated for Bucket 2 is equivalent to determining the expected loss if the facility goes into default at a given point in its lifetime. In the repayment loan context, the amount to which the group will be exposed depends greatly on the point in time at which the future default event is recorded. Therefore it is important to take repayment schedules into account, so as to give a realistic overview of future exposure.

In addition to contractual schedules, the RCI Banque group also needs to model early repayment rates in order to convey the economic reality of portfolio management. This point has particular impact for facilities for which a lifetime expected loss is measured.

As regards financing commitments where the RCI Banque group has committed to release the relevant funds on customer request, the likelihood that this off-balance sheet commitment will be converted to an on-balance sheet commitment will also have to be assessed. For all other off-balance sheet items, as in the prudential approach, a credit conversion factor (CCF) will have to be taken into account to assess the proportion of off-balance sheet outstandings on the reporting date that will actually be drawn at the future date of defaulting.

Unlike the regulatory approach, no prudence adjustments may be used to take into account the risk related to an economic slowdown.

Unlike the prudential environment, IFRS 9 does not require calibration of a 12-month probability of default. However, to the extent that the RCI Banque group is going to build on the Basel systems to calculate its IFRS 9 parameters, it will need to provide for a methodological or calibration adjustment for facilities whose residual maturity at the reporting date is less than one year.

The standard is not prescriptive in terms of how probabilities of default to be used in calculating lifetime expected loss are to be calibrated. This means that the RCI Banque group is free to choose the approach to calibrating this parameter (term structure, transition matrices, etc.) that it feels is appropriate, provided that it demonstrates the fitness for purpose of the approach selected.

The regulatory PD is calibrated over a long-term average (TTC- through the cycle) whereas the accounting environment has to present an overview at the reporting date taking into account current and expected macro-economic conditions. To do this, RCI Bank & Services has decided to use its stress testing process to adjust future PDs according to future macro-economic variables, and to help experts to make their decisions. Nevertheless, because of the technical constraints for implementing the forward looking method in ECL calculation tools, currently, a “point in time” calculation of ECLs is made to which a forward looking view is applied based on a multi-scenario approach (3 scenarios).

IFRS 9 does not contain any specific reference to a particular observation and collection period for the historical historic data used in calculating LGD parameters. The LGD estimates as determined in the prudential environment using the IRB approach can therefore, for the countries concerned, be used as a starting point, with the necessary adjustments brought to make them compliant with the standard.

As stated previously, the standard requires prospective (forward-looking) information to be considered with respect to both the significant deterioration of risk and to determining ECLs.

The incorporation of this forward-looking information must not be seen as a form of stress-testing and its purpose is not to determine a prudence adjustment to the amount of provisions. The aim is mainly to take into account the fact that past observations are not necessarily a reflection of future expectations and therefore adjustments are needed in relation to a provision amount determined on the basis of parameters calibrated solely on a historical basis.

This adjustment to the provision amount may be upward or downward, provided that it is adequately documented with respect to the assumption/ projection aspects of the macro-economic parameters and to their impact on the calculation parameters.

At RCI Banque, phase 2 of IFRS 9 concerns customer loans and advances (including finance and operating leases) and interbank exposures, off-balance sheet financing commitments and debt instruments in assets that are recognized at amortized cost or FVOCI under the new IFRS 9 classification.

This therefore means most of the financial assets on the balance sheet within the RCI Banque group. The only financial instruments for which there is no impairment calculation are financial instruments measured at fair value through profit or loss and by an alternative method, as their changes in value have a direct impact on the group's profit or loss or the group's reserves respectively, and in accordance with the previous section, they are mainly limited to UCITS and non-consolidated holdings.

From an operational point of view, this means that the following products are within the scope of the impairment section of IFRS 9:

instalment loan outstandings:

- Retail

- Corporate for loans granted to dealers

- Corporate for factoring

finance lease outstandings (recognition according to IAS 17)

- leasing (Retail)

- long-term leasing with commitments to take back vehicles outside the RCI Banque group (Corporate)

operating lease receivables due (recognition according to IAS 17)

- battery leases for electric vehicles (Retail)

- leases with risk carried by the subsidiary (Retail)

- short term financing for Renault services vehicles (Corporate)

off-balance sheet commitments:

- financial guarantees granted

- financing commitments that create a legal obligation to grant current credit

securities in assets:

Treasury bills and bonds (whether or not eligible for HQLA classification in the LCR short term liquidity ratio calculation), previously classified as AFS, and that are valued in FV OCI since IFRS 9 came into effect.

NB: UCITSs are valued at fair value through P&L, and non consolidated investments at fair value through P&L.

Calculation of ECLs will be based on identified portfolios within RCI Banque's IFRS 9 scope, namely:

Lot 1: credit and financing finance lease to customers, including irrevocable financing commitments and financial guarantees given G7 subsidiaries*

Lot 2: credit to network (dealers and manufacturer), including irrevocable financing commitments and financial guarantees given G6 subsidiaries **

Lot 3: credit and financing finance lease to customers non G7 subsidiaries

Lot 4: credit to network (dealers and manufacturer) non G6 subsidiaries and interbank loans and securities

Lot 5: other financial assets

*Subsidiaries in France, Germany, Spain, Italy, Korea, United Kingdom, Brazil

** Subsidiaries in France, Germany, Spain, Italy, Brazil, United Kingdom

So as to ensure consistency between its prudential risk management system and its accounting system for assessing allowances and provisions, the RCI Banque group, in accordance with the recommendations of the Basel Committee and the EBA, is going, as far as possible, to use the existing Basel system to generate the IFRS 9 parameters needed for its calculations. The portfolios covered by the IRB approach (advanced method) will however require adjustments to parameter calibration to ensure their compliance with IFRS 9 and need to consider economic forecasts and conditions and recent shifts that are not adequately factored in on the reporting period end-date (by comparison with a notion of cycle lows or long-term historical average in the prudential environment).

Thus, an advanced approach based on the Basel credit risk models is implemented for lots 1 and 2. These lots represent more than 85% of the financial assets that are within the scope of IFRS 9. For the other lots, a simplified method will be used. IFRS 9 does not impose the development of sophisticated methodologies for calculating ECL, which means that a simplified approach can be used for less significant portfolios.

Lot 1: Based on advanced methodology including new IFRS 9-specific parameters: CCF, TRA, PD PIT, ELBE IFRS 9

Lot 2: Based on advanced methodology including new IFRS 9-specific parameters: PD, ELBE IFRS 9

Lot 3: Based on simplified methodology using roll rate transition matrices[1]

Lot 4: Based on simplified methodology using roll rate transition matrices

Interbank lending and securities: Based on market standards or estimated using a simplified methodology: PD via the CDS and LGD curve at 60% or 80% depending on debt type

Lot 5: simplified method of provisioning

- Hedge accounting (phase 3)

The possibilities offered by IFRS 9 in terms of hedge accounting do not call into question the treatment used up until now. RCI Banque will keep its method of hedge accounting (see P-Derivatives and hedge accounting) macro-hedging and associated documentation for those macro-hedging transactions.

[1] These are transition rates between brackets of unpaid amounts.

- IAS 39 to IFRS 9 transition table

IFRS 7 requires a reconciliation for each category of financial assets valued in accordance with IAS 39 at the financial year-end (31/12/2017), with the new rules on opening the new financial year in accordance with IFRS 9 (01/01/2018).

	Opening under IAS 39	**Reclassification**	**Revaluation under IFRS 9**	**Opening under IFRS 9**
Asset available-for-sale	1,287	-1,287	0	0
Securities measured at fair value through OCI	0	1,080	-1	1,079
UCITS at fair value through P&L	0	179	0	179
Non consolidated holdings at fair value through P&L	0	27	0	27
Sight and term cash and balances at central banks, net	1,303	0	0	1,303
Credit instution outstandings, net	1,124	0	-1	1,123
Loans and advances to customers	43,430	0	-121	43,308
Other debtors	1,009	0	0	1,009
Revaluation of provisions for irrevocable commitments given and provisions for financial guarantees given	0	0	-6	-6
TOTAL	**48,151**	**0**	**-128**	**48,023**

Impact from the associated tax	39

IFRS 9 impact in reserves (First time application)	**-89**

Reclassifications of category:

The table therefore shows the reclassification of UCITSs at fair value through P&L as specified previously. Holdings are now measured at fair value through P&L.

Revaluation under IFRS 9:

Revaluation under IFRS 9 is related solely to the new IFRS 9 provisioning model. IFRS 9 moves from provisioning based on actual credit losses to a forward-looking provisioning model based on expected credit losses.

The impact attributable to first time application of IFRS 9 amounts to -128 million euros excluding deferred tax. The amount including deferred tax comes to -89 million euros and is included in equity reserves (of which -82 million concerns the group share)

- <u>Presentation of gross amounts outstanding on assets per IFRS 9 bucket</u>

1 January 2018 - In millions of euros	Bucket 1	Bucket 2	Bucket 3	Total
Customer financing	19 990	1 628	327	21 945
Dealer financing	10 741	278	107	11 126
Financial leasing	9 147	1 261	125	10 532
Operational leasing (amounts due)		1	4	5
Other	433		3	436
Sundry debtors	1 012			1 012
Total receivables, gross	**41 322**	**3 169**	**566**	**45 056**

31 December 2018 - In millions of euros	Bucket 1	Bucket 2	Bucket 3	Total
Customer financing	21 597	1 865	359	23 821
Dealer financing	10 471	445	83	10 999
Financial leasing	10 284	1 456	171	11 911
Operational leasing (amounts due)	0	4	7	10
Other	631		2	633
Sundry debtors	956			956
Total receivables, gross	**43 938**	**3 769**	**622**	**48 329**

Impairment - In millions of euros	Bucket 1	Bucket 2	Bucket 3	Total
Amount at 1 January 2018	**(257)**	**(128)**	**(345)**	**(730)**
Charge	(114)	(115)	(272)	(501)
Used reversals	73	65	220	358
Unused reversals	53	13	15	81
Other (*)	3	2	4	9
Amount at 31 December 2018	**(242)**	**(163)**	**(378)**	**(783)**

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

IFRS 15 “Revenue from contracts with customers”:

On 29 October 2016, IFRS 15 "Revenue from contracts with customers" was published in the Official Journal of the European Union. This standard will replace IAS 11 and IAS 18 and the related IFRIC and SIC interpretations. It puts forward a new five-step revenue recognition approach. It could have impacts on recognition of revenue from contracts containing several performance obligations with transaction prices that have a variable component, and on contracts that have a financing component. IFRS 15 also presents a new approach to accounting for warranties, distinguishing between assurance-type warranties and service-type warranties.
The analysis work done is not leading to the identification of any major changes in revenue recognition.

The group applies the new standard from 1 January 2018 in accordance with the retrospective method.

IFRS 16 “Leases”:

In addition, the group is investigating the new IFRS 16 “Leasing agreements” approved by the European Union in October 2017.

New IFRS standards not adopted by the European Union		**Effective date according to the IASB**
IFRS 16	Leases	1 January 2019

On 16 January 2016, the IASB published IFRS 16 "Leases", which will replace IAS 17 and the related IFRIC and SIC interpretations and, for the lessee, will eliminate the distinction previously made between operating leases and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a financial liability representing its obligation to make lease payments. The right-of-use asset is amortized and the obligation to make lease payments is measured initially at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is to be used.
On the other hand, for the lessor, the treatment of leases under this standard is very similar to that under the existing standard.

Analysis work currently being conducted has not identified any major changes.

The group will apply IFRS 16 from 1 January 2019 as required by the standard. As the impact study now stands, the group considers that application of the standard will have the effect of increasing its gross tangible capital assets by 47%.
Financial debts will increase accordingly.

IFRS 17 “Insurance Contracts”:

New IFRS standards not adopted by the European Union		**Effective date according to the IASB**
IFRS 17	Insurance Contracts	1st January 2021

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

B) Consolidation principles

Scope and methods of consolidation

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

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

The securitized assets of Diac S.A., RCI FS Ltd, Banco RCI Brasil S.A, and the Italian and German branches, as well as the loans granted to Renault Retail Group, inasmuch as the majority of the risks and benefits thereof are retained by the RCI Banque group, remain on the asset side of the balance sheet.

Significant transactions between consolidated companies are eliminated.

For the most part, the companies included in RCI Banque's scope of consolidation are the Renault, Nissan, Dacia, Samsung and Datsun vehicle sales finance companies and the associated service companies.

Acquisition cost of shares and goodwill

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

- The total amount transferred, measured at fair value, and any participation amount which does not give controlling interest in the acquired company

And

- The net carrying amounts of acquired assets and liabilities

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

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

If the business combination generates a negative goodwill, it is recorded immediately in the profit and loss account.

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

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

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

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

Non-controlling interests

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

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities for a total amount of €140m at 31 December 2018, against €154m at 31 December 2017. This liability is initially measured at the present value of the estimated exercise price of the put options.

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

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

C) Presentation of the financial statements

The summary statements are presented in the format recommended by the *Autorité des Normes Comptables* (French Accounting Standards Authority) in its Recommendation n° 2017-2 of 14 June 2017 on the format of consolidated financial statements for banking sector institutions applying international accounting standards.

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

D) Estimates and judgments

In preparing its financial statements, RCI Banque has to make estimates and assumptions that affect the book value of certain assets and liabilities, income and expense items, and the information disclosed in certain Notes. RCI Banque regularly reviews its estimates and assessments to take account of past experience and other factors deemed relevant in view of economic circumstances. If changes in these assumptions or circumstances are not as anticipated, the figures reported in RCI Banque's future financial statements could differ from current estimates. The main items in the financial statements that depend on estimates and assumptions are the recoverable value of loans and advances to customers and allowances for impairment and provisions.

These estimates are taken into account in each of the relevant Notes.

E) Loans and advances to customers and finance lease contracts

Measurement (excluding impairment) and presentation of loans and advances to customers

Sales financing receivables from end customers and dealer financing receivables come under the category of "Loans and advances issued by the company". As such, they are initially recorded at fair value and carried at amortized cost calculated according to the effective interest rate method.

The effective interest rate is the internal rate of return to maturity or, for adjustable-rate loans, to the nearest rate adjustment date. The discounted amount of amortization on any difference between the initial loan amount and the amount payable at maturity is calculated using the effective interest rate.

In addition to the contractual component of the receivable, the amortized cost of sales financing receivables includes interest subsidies received from the car maker or dealer as part of promotional campaigns, handling fees paid by customers, and commissions paid for referral of business. These items, which are all factors in the return on the loan, are either deducted from or added to the amount receivable. They are recognized in the income statement as a pro-rated portion discounted at the effective interest rate for the receivables to which they apply.

Finance lease contracts, as identified by the rules described in Part E, are in substance booked as sales financing receivables.

Income from the resale of vehicles at the end of finance lease contracts is included under "Net income / (expense) of other activities".

As a result, gains and losses on the resale of vehicles coming off performing lease agreements, amounts charged to or recovered from allowances for risks on residual values, and gains or losses resulting from damage to vehicles less any corresponding insurance settlements, are recorded under "Other income related to banking operations" and "Other expenses related to banking operations".

Identifying credit risk (see part A)

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

- A group-wide rating for borrowers in the Dealer segment, which is used during the various phases of the relationship with the borrower (initial approval, risk monitoring, provisioning),
- A group-wide rating for bank counterparties, which is established on the basis of external ratings and each counterparty's level of capital,
- For "Customer" borrowers, different acceptance scoring systems are used; these vary by affiliate and by type of financing.

Forborne exposures

The RCI Banque group uses the definition given by the European Banking Authority (EBA) in its ITS (Implementing Technical Standards) 2013/03 rev1 of 24.07.2014 to identify its forborne exposures (restructured loans).

Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.
It thus refers to cases where there is:
• a modification of the terms and conditions of a contract in order to give the customer in financial difficulties the chance to meet their commitments (such as a change to the number of repayments, extension of term, change to instalment amount, change to customer interest rate),
• a total or partial refinancing of a troubled debt contract (instead of terminating it) that would not have been granted had the customer not been in financial difficulties.

The classification of contracts as forborne exposures is separate from provisioning (for example, a contract that is forborne and returns to being considered as performing will not be provisioned and yet will be classified as a forborne exposure throughout the probation period).
Receivables whose characteristics have been commercially renegotiated with counterparties not in financial difficulties are not identified as forborne exposures.

The definition of forborne exposure is applied at the level of the individual contract (“facility”) that is forborne, and not at the level of the third party (no contagion principle).
Financial difficulties however, are assessed at the debtor level.

The forbearance classification of a contract is discontinued when all of the following conditions are met:
• The contract is considered as performing and analysis of the financial condition of the debtor shows that they have recovered their creditworthiness and debt service ability,
• A minimum 2-year probation period has passed from the date the forborne exposure returned to being considered as performing,
• Regular and significant payments have been made by the debtor during at least half of the probation period,
• None of the exposures to the debtor is more than 30 days past-due at the end of the probation period.
If a contract currently considered as performing but previously classified as forborne again benefits from forbearance measures (such as an extension of term) or if any of the exposures to the debtor is more than 30 days past-due, it must be re-classified as a forborne exposure.

Impairment for credit risk (see part A)

Under IFRS 9, it is no longer necessary for an operative event to occur to recognize depreciation as was the case under IAS 39 (“incurred loss”). So any financial instruments coming within the scope of the standard are allocated depreciation for expected losses from the outset (except for ones originating or acquired if there is an event of default):

- Originally, the instrument is allocated a loss in value representing the expected loss at 12 months (Bucket 1).
- In the case of significant deterioration in credit risk from the outset, the instrument is then allocated a loss in value representing expected credit losses for the full term.

Definition of Expected Credit Loss

IFRS 9 defines the ECL as the expectation of updated credit loss (in principal and interest). The expectation will form the amount of the provision allocated to a facility or portfolio.

To calculate the ECL, the standard requires the use of relevant (verified) and reasonably available internal and external information, in order to make estimates of expected/forward-looking loses, that includes past events, current conditions and forecasts of future events and economic conditions.

Generic ECL formula

On the basis of the above components, the ECL calculation formula used by the RCI Banque group can be given in generic form as follows:

$$\mathrm{ECL}_{\mathrm{Maturity}} = \sum_{i=1\,mois}^{M\,mois} \boldsymbol{EAD_i * PD_i^9 * ELBE_0^9} * \frac{1}{(1+t)^{i/12}} \qquad \textit{mois = month(s)}$$

With:

- ✓ M = maturity
- ✓ $\boldsymbol{EAD_i}$ = expected exposure at the time of the start of default for the year in question (taking into account any early repayments)

- ✓ PD_i^9 = probability of default during the year in question
- ✓ $ELBE_0^9$ = best estimate of the loss in the event of default on the facility
- ✓ t = discount rate

Each of the parameters is individually calibrated.

Credit losses anticipated for the next 12 months are a portion of the credit losses expected over the full term, and represent cash-flow shortfalls for the full term that would occur in the event of a default in the 12 months following the date of the financial year-end (or a shorter period if the expected term of the financial instrument is less than 12 months), weighted by the probability of a default. Consequently, the 12-month EL is deduced from the above formula restricted to measuring parameters over the next 12 months.

So it would appear that, for contracts with a maturity of under 12 months, the provision is the same whether the transaction of classified as Bucket 1 or Bucket 2. For the RCI Banque group, it has in particular an impact on the Network perimeter as it mainly concerns short term finance.

Probability of default – PD:

The RCI group capitalizes on the Basel provisions to calculate its IFRS 9 parameters.

Best estimate of loss in the event of default – ELBE9 IFRS 9:

IFRS 9 does not include any specific mention of the period for monitoring and collecting historic data used for calculating LGD parameters. Consequently, it is possible, for the countries concerned, to use estimates of the LGD as determined in the prudential environment in the IRB approach as starting point (adjustments are made if necessary).

Update:

The standard states that expected losses must be updated on the date of the report at the actual interest rate (AIR) for the asset (or an approximate estimate of the rate determined at initial recognition.

Because of the option allowed by the standard, and bearing in mind the generic structure of the RCI group's agreements, the AIR can be approximated as the rate for the agreement.

Forward-looking perspective:

IFRS 9 introduces into the credit risk-related expected loss (ECL) calculation the notion of forward looking. Through this notion, new requirements in terms of monitoring and measuring credit risk are introduced with the use of forward looking data, in particular of macroeconomic type.

The incorporation of forward looking data is not intended to determine a prudential margin on the amount of provisions. It mainly concerns taking account of the fact that past observations do not necessarily reflect future expectations and consequently adjustments are necessary to the amount of the provision determined on the basis of parameters calibrated exclusively on a historic basis. Such adjustments of the amount of the provision can be made either upwards or downwards and must be duly documented.

The RCI Bank & Services method is based on a multi-scenario (3 scenarios) approach. PDs and LGDs are determined for each scenario in order to calculate the expected losses for each of them.

Macroeconomic indicators (such as GDP and long term rates) and sector-based data are used to attach a probability of occurrence to each scenario and thus get the final forward looking amount.

Rules for writing off loans

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

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

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

Impairment of residual values

The RCI Banque group regularly monitors the resale value of used vehicles across the board so as to optimize the pricing of its financing products.

In most cases, tables of quoted prices showing typical residual values based on vehicle age and mileage are used to determine the residual value of vehicles at the end of the contract term.

However, for contracts under which the trade-in value of the vehicle at the end of the contract term is not guaranteed by a third party outside the RCI Banque group, an impairment allowance is determined by comparing:

a) the economic value of the contract, meaning the sum of future cash flows under the contract plus the re-estimated residual value at market conditions on the measurement date, all discounted at the contract interest rate;

b) the carrying value on the balance sheet at the time of the measurement.

The projected resale value is estimated by considering known recent trends on the used vehicle market, which may be influenced by external factors such as economic conditions and taxation, and internal factors such as changes in the model range or a decrease in the car maker's prices.

The impairment charge is not offset by any profit on resale.

F) Operating leases (IAS17)

In accordance with IAS 17, the RCI Banque group makes a distinction between finance leases and operating leases.

The general principle that the RCI Banque group uses to classify leases as one or the other is whether the risks and rewards incidental to ownership are transferred to another party. Thus, leases under which the leased vehicle will be bought back by an RCI Banque group entity at the end of the lease are classified as operating leases since most of the risks and rewards are not transferred to a third party outside the group. The classification as operating leases of lease contracts that contain a buy-back commitment from the RCI Banque group also takes into account the estimated term of such leases. This lease term is far shorter than the economic life of the vehicles, which is put by the Groupe Renault at an estimated seven or eight years, depending on the type of vehicle. Consequently, all leases with this buy-back clause are treated as operating leases.

The classification of battery leases for electric vehicles as operating leases is justified by the fact that the RCI Banque group retains the risks and rewards incidental to ownership throughout the automobile life of the batteries, which is put at between eight and ten years, and so is much longer than the lease agreements.

Operating leases are recognized as non-current assets leased out and are carried on the balance sheet at the gross value of the assets less depreciation, plus lease payments receivable and transaction costs still to be staggered. Lease payments and impairment are recognized separately in the income statement in "Net income (expense) of other activities". Depreciation does not take into account residual values and is taken into the income statement on a straight line basis, as are transaction costs. Classification as an operating lease does not affect the assessments of counterparty risk and residual value risk.

Income from the resale of vehicles at the end of operating lease contracts is included in "Net income (or expense) of other activities".

G) Transactions between the RCI Banque group and the Renault-Nissan Alliance

Transactions between related parties are conducted following terms equivalent to those prevailing in the case of transactions subject to conditions of normal competition if these terms can be substantiated.

The RCI Banque group helps to win customers and build loyalty to Renault-Nissan Alliance brands by offering financing and providing services as an integral part of the Alliance's sales development strategy.

The main indicators and cash flows between the two entities are as follows:

- **Sales support**

At 31 December 2018, the RCI Banque group had provided €20,970m in new financing (cards included) compared with €20,655m at 31 December 2017.

- **Relations with the dealer network**

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

At 31 December 2018, dealer finance net of impairment allowances amounted to €10,887m against €10,948m at 31 December 2017.

At 31 December 2018, €791m was finance directly granted to subsidiaries or branches of Groupe Renault against €937m at 31 December 2017.

At 31 December 2018, the dealer network had received, as business introducers, remuneration of €854m against €757m at 31 December 2017.

- **Relations with the car makers**

The RCI Banque group pays the car maker for vehicles delivered to dealers for which it provides financing.

Conversely, at the end of the contract, the Groupe Renault pays the RCI Banque group for vehicles taken back under financial guarantees made by the car maker. These transactions generate substantial cash flows between the two groups.

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the RCI Banque group. At 31 December 2018, this contribution amounted to 633 million euros against €599m against 31 December 2017.

H) Recognition and measurement of the securities portfolio

RCI Banque's portfolio of securities is classified according to the financial asset categories specified in IFRS 9

Securities measured at fair value through P&L (FV P&L)

UCITSs and FCPRs (units in funds) are deemed non SPPI and so will be valued at fair value by result.

Shares in companies neither controlled nor under significant influence also come into this category and are valued by result.

The fair value of financial assets is determined as a priority by reference to the market price, or, which failing, on the basis of valuation methods not based on market data. These shares are no longer depreciated under IFRS 9.

Securities measured at fair value through OCI (FV OCI)

This category includes securities that pass the SPPI tests and in RCI Banque it concerns:

- Debt instruments:

These securities are measured at fair value (including accrued interest) and changes in value (excluding accrued interest) are recognized directly in equity under a revaluation reserve. Depreciation on this type of share follows the models recommended by IFRS 9 according to the ECLs.

I) Non-current assets (IAS16/IAS36)

Non-current assets are carried and depreciated using the components approach. The components of an asset item, especially a complex asset, are treated as separate assets if their characteristics or useful lives are different, or if they generate economic benefits at different rates.

Property, plant and equipment is measured at historical acquisition cost less accumulated depreciation and impairment losses, if any.

Non-current assets other than land are generally depreciated on a straight-line basis over the following estimated useful lives:

- Buildings 15 to 30 years
- Other tangible non-current assets 4 to 8 years

J) Income taxes (IAS 12)

The restatements of the annual financial statements of companies included in the scope of consolidation, made to bring them into line with IAS standards for financial reporting purposes, and the tax deferrals allowed in the statutory statements filed for tax purposes, give rise to timing differences in the recognition of income for tax and financial reporting purposes. A timing difference is also recognized whenever the book value of an asset or liability differs from its value for tax purposes.

These differences give rise to the recognition of deferred taxes in the consolidated financial statements. Under the liability method used by RCI Banque, deferred tax expense is calculated by applying the last tax rate in effect at the closing date and applicable to the period in which the timing differences will be reversed. Within a given taxable entity (company, establishment, or tax consolidation group), deferred tax assets and liabilities are presented on a net basis whenever the entity is entitled to offset its tax receivables against its tax payables. Deferred tax assets are written down whenever their utilization is unlikely.

For fully consolidated companies, a deferred tax liability is recognized for taxes payable on advance dividend distributions by the group.

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

Overview of plans

The RCI Banque group uses different types of pension and post-employment benefit plans:

<u>Defined benefit plans:</u>

Charges are booked to provisions for these plans to cover:

- Indemnities payable upon retirement (France),
- Supplementary pensions: the main countries using this type of plan are the United Kingdom, the Netherlands and Switzerland.
- Mandated savings plans: this type of plan is used in Italy.

Defined-benefit plans are in some cases covered by funds. Such funds are subject to periodic actuarial valuation by independent actuaries. The value of such funds, if any, is deducted from the corresponding liability.

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

<u>Defined contribution plans:</u>

In accordance with the laws and practices of each country, the group makes salary-based contributions to national or private institutions responsible for pension plans and provident schemes.

Such plans and schemes release the group from any later obligations, as the national or private institution is responsible for paying employees the amounts owed to them. Payments by the group are booked as expenses for the period to which they refer.

Valuation of liabilities for defined benefit plans

With respect to defined-benefit plans, the costs of post-employment benefits are estimated using the projected unit credit method. Under this method, benefit rights are allocated to periods of service according to the plan's vesting formula, taking into account a linearizing effect when rights are not vested uniformly over subsequent periods of service.

The amounts of future benefits payable to employees are measured on the basis of assumptions about salary increases, retirement age and mortality, and then discounted to their present value at a rate based on interest rates on the long-term bonds of top-grade issuers and on the estimated average term of the plan measured.

Actuarial gains or losses resulting from revision of the assumptions used in the calculation and experience-related adjustments are recognized as items of other comprehensive income.

The net expense of the period, corresponding to the sum of the cost of services rendered plus any past service costs, and to the cost of accretion of provisions less the return on plan assets is recognized in the income statement under personnel expenses.

Details by country are given in the notes to the balance sheet.

L) Translation of financial statements of foreign companies

The presentation currency used by the group is the euro.

As a general rule, the functional currency used by foreign companies is their local currency. In cases where the majority of transactions are conducted in a currency other than the local currency, that currency is used.

The financial statements of the group's foreign companies are drawn up in their functional currency, and then translated into the group's presentation currency as follows:

- Balance sheet items other than equity, which are held at the historic exchange rate, are translated at closing exchange rates;
- Income statement items are translated at the average rate for the period, said rate being used as an approximation applied to underlying transactions, except in the event of significant fluctuations;
- Translation adjustments are included as a separate component of consolidated equity and do not affect income.

Goodwill and measurement differences realized when combining with a foreign company are treated as assets and liabilities of the acquired entity.

When a foreign company is disposed of, the translation differences in its assets and liabilities, previously recognized in equity, are recognized in the income statement.

To determine whether a country is in hyperinflation, the group refers to the list published by the AICPA *(American Institute of Certified Public Accountants*) *International Task Force.* Only Argentina, where RCI Banque has significant business, is on the list. The IFRS, IAS 29 "Financial information in hyperinflationist economies", requires revaluation of financial assets for the financial year in which hyperinflation appears. This requires restatements in individual accounts for the companies concerned so that uniform information is published. These individual restated financial statements are then incorporated into the group's consolidated accounts. As the currency is suffering from hyperinflation, the conversion rate is devaluing; restatements made in local accounts partially neutralize, in the consolidated accounts, the impacts of such devaluation. For Argentine companies, a revaluation has been made in the profit and loss account in accordance with the IPC indicator. The counterparty for revaluation restatement due to hyperinflation is given in the result as inflation exposure.

M) Translation of foreign currency transactions

Transactions made by an entity in a currency other than its functional currency are translated and booked in the functional currency at the rate in effect on the date such transactions are made.

On the statement closing date, cash assets and liabilities in currencies other than the entity's functional currency are translated at the exchange rate in effect on that date. Gains or losses from such foreign currency translation are recorded in the income statement.

N) Financial liabilities

The RCI Banque group recognizes financial liabilities consisting of bonds and similar obligations, negotiable debt securities, securities issued as part of securitization transactions, amounts owed to credit institutions and savings deposits from customers.

Any issuance costs and premiums on financial liabilities are amortized on an actuarial basis over the term of the issue according to the effective interest rate method.

When first recognized, financial liabilities are measured at fair value net of transaction costs directly attributable to their issuance.

At each closing, financial liabilities are measured at amortized cost using the effective interest rate method, except when specific hedge accounting procedures are applicable. The financial expenses calculated in this way include issuance costs and issue or redemption premiums.

Financial liabilities covered by a fair value hedge are accounted for as described in: Derivatives and hedge accounting.

The group's medium-term and long-term issuance programs do not feature any clauses that might lead to acceleration of maturity of the debt.

O) Structured products and embedded derivatives

The group engages in a small number of structured transactions. These issues are hedged by derivatives so as to neutralize the embedded derivative and thereby obtain a synthetic adjustable-rate liability.

The only embedded derivatives identified within the RCI Banque group correspond to indexing clauses contained in structured bond issues. When embedded derivatives are not closely related to the host contract, they are measured and recognized separately at fair value. Changes in fair value are then recognized in the income statement. The structured issue with the embedded derivative extracted, i.e. the host contract, is measured and recognized at amortized cost.

Structured issues are associated with swaps of assets, whose characteristics are strictly identical to those of the embedded derivative, thereby providing an effective economic hedge. However, embedded derivatives that are separated from the host contract and swaps associated with structured issues are accounted for as if held for trading purposes.

P) Derivatives and hedge accounting

Risks

The RCI Banque group's management of financial risks (interest-rate risk, currency risk, counterparty risk and liquidity risk) is described in the "Financial risks" appendix of this document.

The RCI Banque group enters derivative contracts as part of its currency and interest-rate risk management policy. Whether or not these financial instruments are then accounted for as hedging instruments depends on their eligibility for hedge accounting.

The financial instruments used by RCI Banque can be classified as fair value hedges or cash flow hedges. A fair value hedge protects against changes in the fair value of the assets and liabilities hedged. A cash flow hedge protects against changes in the value of cash flows associated with existing or future assets or liabilities.

Measurement

Derivatives are measured at fair value when first recognized. Subsequently, fair value is re-estimated at each closing date.

In accordance with IFRS 13 "Fair Value Measurement", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. At initial recognition in the accounts, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability (exit price).

- The fair value of forward currency agreements and currency swaps is determined by discounting cash flows at market interest rates and exchange rates at the closing date. It also incorporates the measurement of interest rate and currency swap "base" effects.

- The fair value of interest-rate derivatives represents what the group would receive (or would pay) to unwind the running contracts at the closing date, taking into account unrealized gains or losses as determined by current interest rates at the closing date.

Credit adjustment

An adjustment is booked on the valuation of OTC derivative portfolios, excluding those cleared by a CCP, for counterparty credit risk (or CVA, Credit Valuation Adjustment) and own credit risk (or DVA, Debt Valuation Adjustment).

Exposure (EAD - Exposure At Default) is approximated by the mark-to-market (MTM) plus or minus an add-on, representing potential future risk and taking into account netting agreements with each counterparty. This potential future risk is estimated using the standard method recommended by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013, Article 274 on capital adequacy requirements applicable to credit institutions and investment companies).

Loss Given Default (LGD) is estimated by default at 60%.

Probability of default (PD) is the probability of default associated with each counterparty's CDS (Credit Default Swaps). In certain countries, if this information is unavailable, the approximated probability of default is that of the counterparty's country.

Fair value hedge

RCI Banque has elected to apply fair value hedge accounting in the following cases:

- hedging interest-rate risk on fixed rate liabilities using a receive fixed/pay variable swap or cross currency swap;
- hedging foreign exchange risk on foreign currency assets or liabilities using a cross currency swap.

Fair value hedge accounting is applied on the basis of documentation of the hedging relation at the date of implementation and of the results of fair value hedge effectiveness tests, which are performed at each balance sheet date.

Changes in the value of fair value hedging derivatives are recognized in the income statement.

For financial liabilities covered by a fair value hedge, only the hedged component is measured and recognized at fair value. Changes in the value of the hedged component are recognized in the income statement. The unhedged component of these financial liabilities is measured and recognized at amortized cost.

If the hedging relationship is terminated before the end of its term, the hedging derivative is classified as an asset or liability held for trading purposes and the item hedged is recognized at amortized cost in an amount equal to its last fair value measurement.

Cash flow hedge

RCI Banque has elected to apply cash flow hedge accounting in the following cases:

- Hedging interest-rate risk on variable rate liabilities using a receive/pay fixed swap, enabling them to be backed by fixed rate assets (macro-hedge from the economic perspective);
- Hedging future or probable cash flows in foreign currency.

Cash flow hedge effectiveness tests are performed at each balance sheet date to ensure that the relevant transactions are eligible for hedge accounting. For the second type of hedging, the test performed entails ascertaining that interest-rate exposure on the cash flows from reinvestment of non-derivative financial assets is indeed reduced by the cash flows from the derivatives used for hedging.

Changes in the value of the effective part of cash flow hedging derivatives are recognized in equity, in a special revaluation reserve account.

Trading transactions

This line item includes transactions not eligible for hedge accounting and currency hedging transactions to which the RCI Banque group has preferred not to apply hedge accounting.

Changes in the value of these derivatives are recognized in the income statement.

These transactions mainly include:

- foreign exchange transactions with an initial maturity of less than one year,
- identified embedded derivatives that are part of the group's structured issues, and the associated swaps,
- swaps contracted in connection with securitization transactions,
- variable/pay variable swaps in a given currency to hedge interest-rate risk on variable-rate issues.

Q) Operating segments (IFRS 8)

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

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

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

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

Since 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	Retail customers	Dealer network
Lending	✓	✓
Finance Lease	✓	NA
Operating Lease	✓	NA
Services	✓	NA

R) Insurance

The accounting policies and measurement rules specific to assets and liabilities generated by insurance contracts issued by consolidated insurance companies are established in accordance with IFRS 4.

Other assets held and liabilities issued by insurance companies follow the rules common to all of the group’s assets and liabilities, and are presented in the same balance sheet and consolidated income statement items.

Technical liabilities on insurance contracts:

- Reserve for unearned premiums (non-life insurance): Technical reserves for unearned premiums are equivalent to the portion of the premiums relating to the period between the inventory date and the following endowment date. They are calculated by policy on a pro rata daily basis.
- Policy reserves (life insurance): These are intended to cover the long-term obligations (or payment of benefits) resulting from the commitments given, and the costs of managing such contracts. They are calculated by policy on a pro rata daily basis.
- Reserve for outstanding claims: the reserve for outstanding claims represents the estimate, net of outstanding recoveries, of the cost of all claims reported but not yet settled at the closing date. Outstanding claim reserves are calculated by claim file based on reserving rules set according to the insurance benefit definition.
- IBNR (Incurred But Not Reported) claim reserves: these are reserves for claims not yet reported. They are calculated according to an actuarial method (method type: “chain ladder”), where the ultimate claim charge is

estimated from a statistical analysis of the payments development on past claim history. These estimates are performed in “Best Estimate”, adding a calibrated prudential margin so that IBNR reserves are still sufficient even in case of a possible future adverse deviation in claim (not extreme shocks).

The guarantees offered cover death, disability, redundancy and unemployment as part of a loan protection insurance policy. These types of risk are controlled through the use of appropriate mortality tables, statistical checks on loss ratios for the population groups insured and through a reinsurance program.

Liability adequacy test: a goodness-of-fit test aimed at ensuring that insurance liabilities are adequate with respect to current estimates of future cash flows generated by the insurance contracts is performed at each statement of account. Future cash flows resulting from the contracts take into account the guarantees and options inherent therein. In the event of inadequacy, the potential losses are fully recognized in net income.

Income statement:

The income and expenses recognized for the insurance contracts issued by the RCI Banque group appear in the income statement in “Net income of other activities” and “Net expense of other activities”.

4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

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

Liquidity

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

By extending the maximum maturities of its issues in Euros to eight years, new investors looking for longer-term assets have been reached. In addition, the group refinances itself on capital markets in multiple currencies (GBP, CHF, BRL, ARS, KRW, MAD, COP, etc.), both to finance European assets and to support development outside Europe.

Recourse to funding through securitization transactions in private and public format also helps to expand the investor base.

The retail savings business, launched in February 2012 and now rolled out in four countries, has added to diversification of the company's sources of funding and helped it to adjust to the liquidity requirements arising from Basel 3 standards.

Oversight of RCI Banque's liquidity risk takes into account EBA and ECB recommendations on the Internal Liquidity Adequacy Assessment Process (ILAAP) and is based on the following components:

- **Risk appetite:** This component is determined by the Board of Directors' Risk Committee.

- **Refinancing:** The funding plan is constructed with a view to diversifying access to liquidity by product, by currency and by maturity. Funding requirements are regularly reviewed and clarified so that the funding plan can be adjusted accordingly.

- **Liquidity reserve:** The company's aim is to have available at all times a liquidity reserve consistent with its appetite for liquidity risk. The liquidity reserve consists of confirmed lines of credit, assets eligible as collateral in European Central Bank monetary policy transactions, High Quality Liquid Assets (HQLA), and financial assets. It is reviewed every month by the Finance Committee.

- **Transfer prices:** Refinancing for the group's European entities is mainly delivered by the group Finance and Treasury Division, which centralizes liquidity management and pools costs. Internal liquidity costs are reviewed at regular intervals by the Finance Committee and are used by sales subsidiaries to construct their pricing.

- **Stress scenarios:** Every month, the Finance Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.

- **Emergency plan:** An established emergency plan identifies the steps to be taken in the event of stress on the liquidity position.

Credit business risk

By using the Probability of Default derived from scoring systems to manage new gross lending, portfolio quality across all major markets was maintained.

As the economic outlook remained uncertain, the centralized oversight of the approval policy introduced at the start of the crisis was maintained. Acceptance systems are adjusted according to stress tests updated quarterly for the main countries per market (retail customers, corporate customers). All in all, the quality of gross lending is in line with the objectives set.

In a constantly changing environment, RCI Banque's aim is to maintain overall credit risk at a level compatible with the expectations of the financial community and profitability targets.

Profitability

RCI Banque regularly reviews the costs of internal liquidity used to price customer transactions, thereby maintaining a margin on new lending in line with budget targets. Similarly, the pricing of financing granted to dealers is indexed on an internal base rate reflecting the cost of borrowed resources and liquidity cushions needed for business continuity. This method maintains a steady return for this business.

Governance

Liquidity indicators are the subject of particular scrutiny at each monthly financial committee meeting.

The country management committees also monitor risk and instant projected margin indicators more systematically, thereby supplementing the routine assessments of subsidiary profitability

Exposure to non-commercial credit risk

Exposure to bank counterparty risk mainly arises from the investment of temporary cash surpluses as short-term deposits, and from interest-rate or Forex hedging with derivatives.

Such transactions are made with first-class banks approved beforehand by the Counterparty Committee. RCI Banque pays close attention to diversifying its counterparties.

To meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque now invests in liquid assets as defined in the European Commission's Delegated Act. These liquid assets mainly consist of deposits with the European Central Bank and securities issued by governments or supranational issuers held directly. The average duration of this securities portfolio was about 18 months.

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

Macroeconomic environment

In 2018, the European Central Bank kept its base rates unchanged and announced that they were set to remain stable until at least summer 2019. In parallel, the ECB has progressively reduced its asset purchase program which fell from 30 billion a month in the first part of the year to 15 billion from October and ended in December. From 2019, it will reinvest amounts repaid in securities arriving at term in order to maintain favorable liquidity conditions.

In the United States, the new head of the Federal Reserve, Jerome Powell, has raised its base rates four times thus raising the Fed Funds target to between 2.25% and 2.5%. In the United Kingdom, the Bank of England which in November 2017 began its first tightening of monetary policy in ten years, raised its base rate in July to 0.75%.

An anticipated world economic slow-down and the end of Central Banks' relaxed monetary policies have progressively changed the macro-economic situation that prevailed at the beginning of the year. The tariff war between the United States and China, the United Kingdom's exit from the European Union and budgetary negotiations between Italy and Brussels have also contributed to heightening volatility. Against that background, markets saw the return to risk aversion in the second half, which resulted in a fall in share markets[2] and an increase in credit spreads[3].

After a peak of 0.50% in February, the 5 year swap rate ended 12 bp down at 0.20%.

5. REFINANCING

RCI Banque issued the equivalent of €2.9 billion in public bond format. The group successively launched a variable rate issue of €750M over five years, a double tranche issue for €1.3 billion (three year fixed rate €750M, seven year variable rate €550M), then an eight year fixed rate issue for €750M. In parallel, the company issued 125MCHF at fixed rate over five years, which both enables the investor base to be diversified and assets in CHF to be funded.

In parallel, three issues in two and three year private format were also completed for a total amount of €600M.

In the secured refinance segment, RCI Banque placed a public securitization backed by automobile loans in France for €722.8M split between €700M of senior debt securities and €22.8M€ of subordinate securities.

The variation in maturity, coupon types and issue formats, which is in line with the strategy of diversifying sources of finance pursued by the group for a number of years, enables a larger number of investors to be tapped.

Additionally, group entities in Brazil, South Korea, Morocco, Argentina and, for the first time, in Colombia have also borrowed on their domestic capital markets.

Deposits from private customers have increased by €0.9 billion since December 2017 and attained €15.9 billion at 31 December 2018, representing 33.8% of net assets at end December, which is in line with the company's goal of having customer deposits representing about one third of the finance lent to its customers.

These resources, in addition, in the Europe perimeter, to €4.4 billion in bank lines confirmed but not drawn, €3.8 billion in collateral eligible for ECB monetary policy transactions, €2.2 billion in highly liquid assets (HQLA) as well as financial assets amounting to €0.4 billion, enabling RCI Banque to maintain funding lent to its customers over nearly 12 months without access to external liquidity.

6. REGULATORY REQUIREMENTS

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

At 31 December 2018, the ratios calculated do not reveal any non-compliance with regulatory requirements.

[2] Euro Stoxx 50 down 15%

[3] Iboxx EUR Non Financial up 56 bp, Iboxx Auto up 95 bp

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Segment information

1.1 - Segmentation by market

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

In millions of euros	Customer	Dealer financing	Other	Total 12/2017
Average performing loan outstandings	29 161	9 738		38 899
Net banking income	1 230	240	158	1 628
Gross operating income	843	190	73	1 106
Operating income	784	205	73	1 062
Pre-tax income	786	204	87	1 077

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

At the Net Banking Income level, given that most of the RCI Banque group's segment income comes from interest, the latter are shown net of interest expenses.

The earnings of each business segment are determined on the basis of internal or fiscal analytical conventions for intercompany billing and valuation of funds allocated. The equity allocated to each business segment is the capital effectively made available to the affiliates and branches and then divided among them according to internal analytical rules.

Average performing loan outstanding is the operating indicator used to monitor outstandings. As this indicator is the arithmetic mean of outstandings, its value therefore differs from the outstandings featuring in the RCI Banque group's assets, as presented in Notes 6 and 7: Customer finance transactions and similar/Customer finance transactions by business segment.

Average Performing Assets (APA) is another indicator used to monitor outstandings. It is equal to average performing outstandings plus assets arising from operating lease operations.
For retail customers, it means the average of performing assets at end-period. For Dealers, it means the average of daily performing assets.

1.2 Geographic segmentation

In millions of euros	Year	Net Loans outstandings at year-end (1)	of which Customers outstandings at year-end (1)	of which Dealers outstandings at year-end
Europe	2018	41 832	31 668	10 164
	2017	39 028	28 785	10 243
of which Germany	*2018*	*7 472*	*6 097*	*1 375*
	2017	*6 808*	*5 333*	*1 475*
of which Spain	*2018*	*4 464*	*3 637*	*827*
	2017	*4 207*	*3 279*	*928*
of which France	*2018*	*14 324*	*10 664*	*3 660*
	2017	*13 315*	*9 606*	*3 709*
of which Italy	*2018*	*5 821*	*4 450*	*1 371*
	2017	*5 264*	*3 960*	*1 304*
of which United-Kingdom	*2018*	*4 680*	*3 780*	*900*
	2017	*4 787*	*3 897*	*890*
of which other countries (2)	*2018*	*5 071*	*3 040*	*2 031*
	2017	*4 647*	*2 710*	*1 937*
Asia Pacific - South Korea	2018	1 578	1 565	13
	2017	1 561	1 541	20
America	2018	2 769	2 182	587
	2017	2 637	2 049	588
of which Argentina	*2018*	*314*	*185*	*129*
	2017	*499*	*344*	*155*
of which Brazil	*2018*	*2 112*	*1 699*	*413*
	2017	*1 880*	*1 498*	*382*
of which Colombia	*2018*	*343*	*298*	*45*
	2017	*258*	*207*	*51*
Africa, Middle East, India	2018	493	383	110
	2017	416	331	85
Eurasia	2018	258	245	13
	2017	191	179	12
Total RCI Banque group	**2018**	**46 930**	**36 043**	**10 887**
	2017	**43 833**	**32 885**	**10 948**

(1) Including operating lease business
(2) Belgium, Netherlands, Switzerland, Austria, Scandinavian countries, Poland, Czech Republic, Hungary, Slovenia; Ireland, Portugal

Income from external customers is allocated to the different countries according to the home country of each of the entities. Each entity actually only books income from customers residing in the same country as that entity.

Note 2 : Cash and balances at central banks

In millions of euros	12/2018	12/2017
Cash and balances at central banks	**2 018**	**1 303**
Cash and balances at Central Banks	2 018	1 303
Term deposits at Central Banks	**22**	
Accrued interest	22	
Total cash and balances at central banks	**2 040**	**1 303**

Note 3 : Derivatives

In millions of euros	12/2018		12/2017	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**21**	**14**	**37**	**32**
Interest-rate derivatives	2	4	3	1
Currency derivatives	19	10	34	31
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**102**	**68**	**86**	**86**
Interest-rate and currency derivatives: Fair value hedges	89	6	80	28
Interest-rate derivatives: Cash flow hedges	13	62	6	58
Total derivatives (*)	**123**	**82**	**123**	**118**
(*) Of which related parties	*2*		*7*	

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

The transactions that give rise to entries under this heading are described in the accounting rules and methods in the following paragraphs: “Financial liabilities” and “Derivatives and hedge accounting”.

Changes in the cash flow hedging instrument revaluation reserve

In millions of euros	Cash flow hedging	Schedule for the transfer of the CFH reserve account to the income statement		
		<1 year	1 to 5 years	+5 years
Balance at 31 December 2016	**(10)**	**(6)**	**(4)**	
Changes in fair value recognized in equity	4			
Transfer to income statement	(3)			
Balance at 31 December 2017	**(9)**	**(4)**	**(5)**	
Changes in fair value recognized in equity	(6)			
Transfer to income statement	5			
Balance at 31 December 2018	**(10)**	**(3)**	**(7)**	

With respect to cash flow hedging, the above table shows the periods during which RCI Banque expects cash flows to intervene and affect the income statement.

Changes in the cash flow hedging reserve result from changes in the fair value of the hedging instruments carried in equity, and from the transfer of the period to the income statement at the same rate as the item hedged.

Nominal values of derivative instruments by maturity and management intent

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

In millions of euros	**< 1 year**	**1 year to 5 years**	**> 5 years**	**Total 12/2017**	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	1 889			1 889	
Purchases	1 886			1 886	
Currency swaps					
Loans	691	331		1 022	*82*
Borrowings	664	319		983	*80*
Hedging of interest-rate risk					
Interest rate swaps					
Lender	6 211	9 373	2 350	17 934	
Borrower	6 211	9 373	2 350	17 934	

Note 4 : Financial assets

In millions of euros	12/2018	12/2017
Financial assets at fair value through other comprehensive income	**902**	
Government debt securities and similar	617	
Bonds and other fixed income securities	284	
Interests in companies controlled but not consolidated	1	
Financial assets at fair value through profit or loss	**166**	
Variable income securities	16	
Bonds and other fixed income securities	98	
Interests in companies controlled but not consolidated	52	
Financial assets available for sale and other financial assets		**1 287**
Government debt securities and similar		741
Variable income securities		179
Bonds and other fixed income securities		340
Interests in companies controlled but not consolidated		27
Total financial assets (*)	**1 068**	**1 287**
(*) Of which related parties	*53*	*27*

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	12/2018	12/2017
Credit balances in sight accounts at credit institutions	**916**	**906**
Ordinary accounts in debit	881	895
Overnight loans	35	11
Term deposits at credit institutions	**117**	**218**
Term loans in bucket 1	37	218
Term loans in bucket 2	80	
Total amounts receivable from credit institutions (*)	**1 033**	**1 124**
(*) Of which related parties	*80*	*150*

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

Current bank accounts held by the FCTs (*Fonds Commun de Titrisation* - Securitisation Mutual Funds) contribute in part to the funds' credit enhancement. They totaled €551m at year-end 2018 and are included in "Ordinary Accounts in debit".

Overnight loan transactions with the Central Bank are included in “Cash and balances at central banks”.

Note 6 : Customer finance transactions and similar

In millions of euros	12/2018	12/2017
Loans and advances to customers	**46 587**	**43 430**
Customer finance transactions	34 858	32 993
Finance lease transactions	11 729	10 437
Operating lease transactions	**974**	**839**
Total customer finance transactions and similar	**47 561**	**44 269**

The gross value of forborne loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulty (or likely to experience financial difficulty in the future), came to €119m and is impaired by €52m at 31 December 2018.

6.1 - Customer finance transactions

In millions of euros	12/2018	12/2017
Loans and advances to customers	**35 047**	**33 226**
Healthy factoring	541	655
Factoring with a significant increase in credit risk since initial recognition	37	
Other healthy commercial receivables	2	3
Other healthy customer credit	31 269	30 129
Other customer credit with a significant increase in credit risk since initial recognition	2 273	
Other delinquent customer credit		1 654
Healthy ordinary accounts in debit	484	351
Defaulted receivables	441	434
Interest receivable on customer loans and advances	**83**	**53**
Other non-defaulted customer credit	42	41
Non-defaulted ordinary accounts	37	7
Defaulted receivables	4	5
Total of items included in amortized cost - Customer loans and advances	**323**	**228**
Staggered handling charges and sundry expenses - Received from customers	(52)	(39)
Staggered contributions to sales incentives by manufacturer or dealers	(549)	(526)
Staggered fees paid for referral of business	924	793
Impairment on loans and advances to customers	**(595)**	**(514)**
Impairment on healthy receivables	(125)	(118)
Impairment on receivables with a significant increase in credit risk since initial recognition	(113)	
Impairment on delinquent receivables		(74)
Impairment on defaulted receivables	(281)	(252)
Impairment on residual value	(76)	(70)
Total customer finance transactions, net	**34 858**	**32 993**

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and impaired allowances continue to appear on the asset side of the group's balance sheet.

The factoring receivables result from the acquisition by the group of the Renault-Nissan Alliance's commercial receivables.

Impairment on residual value concerns credit (risk carried and not carried).

6.2 - Finance lease transactions

In millions of euros	**12/2018**	**12/2017**
Finance lease transactions	**11 917**	**10 541**
Other healthy customer credit	10 292	9 776
Other customer credit with a significant increase in credit risk since initial recognition	1 455	
Other Delinquent customer credit		642
Defaulted receivables	170	123
Accrued interest on finance lease transactions	**10**	**7**
Other non-defaulted customer credit	9	6
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	**(16)**	**(16)**
Staggered handling charges	(4)	(7)
Staggered contributions to sales incentives by manufacturer or dealers	(234)	(174)
Staggered fees paid for referral of business	222	165
Impairment on finance leases	**(182)**	**(95)**
Impairment on healthy receivables	(39)	(8)
Impairment on receivables with a significant increase in credit risk since initial recognition	(50)	
Impairment on delinquent receivables		(9)
Impairment on defaulted receivables	(92)	(77)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**11 729**	**10 437**

Reconciliation between gross investment in finance lease contracts at the closing date and present value of minimum payments receivable

In millions of euros	**< 1 year**	**1 year to 5 years**	**> 5 years**	**Total 12/2018**
Finance leases - net investment	4 938	6 962	11	11 911
Finance leases - future interest receivable	397	390		787
Finance leases - gross investment	**5 335**	**7 352**	**11**	**12 698**
Amount of residual value guaranteed to RCI Banque group	2 841	3 857		6 698
Of which amount guaranteed by related parties	*1 845*	*1 864*		*3 709*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	3 490	5 488	11	8 989

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2017
Finance leases - net investment	4 470	6 052	10	10 532
Finance leases - future interest receivable	355	348		703
Finance leases - gross investment	**4 825**	**6 400**	**10**	**11 235**
Amount of residual value guaranteed to RCI Banque group	2 546	3 285		5 831
Of which amount guaranteed by related parties	*1 741*	*1 681*		*3 422*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	3 084	4 719	10	7 813

6.3 - Operating lease transactions

In millions of euros	12/2018	12/2017
Fixed asset net value on operating lease transactions	**991**	**866**
Gross value of tangible assets	1 284	1 094
Depreciation of tangible assets	(293)	(228)
Receivables on operating lease transactions	**12**	**6**
Non-defaulted receivables	7	6
Defaulted receivables	7	3
Income and charges to be staggered	(2)	(3)
Impairment on operating leases	**(29)**	**(33)**
Impairment on non-defaulted receivables	(1)	
Impairment on defaulted receivables	(5)	
Impairment on residual value	(23)	(33)
Total operating lease transactions, net (*)	**974**	**839**
(*) Of which related parties	*(1)*	*(1)*

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

In millions of euros	12/2018	12/2017
0-1 year	146	71
1-5 years	201	119
+5 years	9	
Total	**356**	**190**

6.4 - Exposition maximale au risque de crédit et indication sur la qualité des créances jugées saines par le groupe RCI Banque

At 31 December 2018, the RCI Banque group's maximum aggregate exposure to credit risk stood at €55,299m against €50,758m at 31 December 2017. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on the RCI Banque group's off-balance sheet (see

Note 23 Commitments received).

Amount of receivables due

In millions of euros	12/2018	of which non-defaulted (1)	12/2017	of which non-defaulted (1)
Between 0 and 90 days	593	409	574	522
Between 90 and 180 days	59		51	
Between 180 days and 1 year	37		20	
More than one year	74		252	
Receivables due	**763**	**409**	**897**	**522**

(1) Only includes sales financing receivables non classed in stage 3.

The risks on the quality of customer loans are assessed (using a score system) and monitored per type of business (Customer and Dealer). At the statement closing date, no component affected the credit quality of non-due and non-impaired sales financing receivables.

There is no significant concentration of risks within the sales financing customer base in line with regulatory requirements.

As at 31 December 2018, guarantees held on doubtful or delinquent receivables totaled €678m against €660m at 31 December 2017.

6.5 - Valeurs résiduelles en risque porté par RCI Banque

The total risk on residual values carried by the RCI Banque group amounted to €1,944m at 31 December 2018 against €1,981m at 31 December 2017. It was covered by provisions totaling €61m for the residual value risk borne provision at 31 December 2018 (essentially affecting the United Kingdom).

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 12/2018
Gross value	**36 736**	**10 998**	**633**	**48 367**
Healthy receivables	32 873	10 470	631	43 974
Receivables with a significant increase in credit risk since initial recognition	3 325	445		3 770
Defaulted receivables	538	83	2	623
% of defaulted receivables	*1,46%*	*0,75%*	*0,32%*	*1,29%*
Impairment allowance	**(693)**	**(111)**	**(2)**	**(806)**
Impairment on healthy receivables	(194)	(70)	(1)	(265)
Impairment on receivables with a significant increase in credit risk since initi	(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 pa for referrals)	*19*	*791*	*436*	*1 246*

In millions of euros	Customer	Dealer financing	Other	Total 12/2017
Gross value	**33 349**	**11 126**	**436**	**44 911**
Non-impaired receivables	32 894	11 019	432	44 345
Doubtful receivables	165	90	3	258
Compromised receivables	290	17	1	308
% of doubtful and compromised receivables	*1,36%*	*0,96%*	*0,92%*	*1,26%*
Impairment allowance on individual basis	**(439)**	**(87)**		**(526)**
Non-doubtful receivables	(143)	(54)		(197)
Doubtful receivables	(88)	(18)		(106)
Compromised receivables	(208)	(15)		(223)
Impairment allowance on collective basis	**(25)**	**(91)**		**(116)**
Impairment	(18)	(91)		(109)
Country risk	(7)			(7)
Net value (*)	**32 885**	**10 948**	**436**	**44 269**
(*) Of which: related parties (excluding participation in incentives and fees paid	*21*	*937*	*309*	*1 267*

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

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	12/2018	12/2017
Tax receivables	**379**	**379**
Current tax assets	26	36
Deferred tax assets	145	112
Tax receivables other than on current income tax	208	231
Adjustment accounts and other assets	**953**	**1 009**
Other sundry debtors	377	337
Adjustment accounts - Assets	55	49
Items received on collections	319	426
Reinsurer part in technical provisions	202	197
Total adjustment accounts – Assets and other assets (*)	**1 332**	**1 388**
(*) Of which related parties	*225*	*138*

Deferred tax assets are analysed in note 32.

Changes in the share of reinsurers in the technical reserves are analyzed as follows:

Changes in the part of reinsurance in the technical provisions

In millions of euros	12/2018	12/2017
Reinsurer part in technical provisions at the beginning of period	197	162
Increase of the technical provisions chargeable to reinsurers	16	45
Claims recovered from reinsurers	(11)	(10)
Reinsurer part in technical provisions at the end of period	**202**	**197**

Note 9 : Investments in associates and joint ventures

In millions of euros	12/2018		12/2017	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	21	4	24	4
RN SF B.V.	63	9	48	9
Nissan Renault Financial Services India Private Limited	31	2	30	2
Total interests in associates	**115**	**15**	**102**	**15**

Note 10 : Tangible and intangible non-current assets

In millions of euros	12/2018	12/2017
Intangible assets: net	**7**	**6**
Gross value	36	36
Accumulated amortization and impairment	(29)	(30)
Property, plant and equipment: net	**32**	**23**
Gross value	113	101
Accumulated depreciation and impairment	(81)	(78)
Total tangible and intangible non-current assets	**39**	**29**

Note 11 : Goodwill

In millions of euros	12/2018	12/2017
Argentina	1	2
United Kingdom	35	35
Germany	12	12
Italy	9	9
South Korea	20	20
Czech Republic	6	6
Total goodwill from acquisitions by country	**83**	**84**

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note B). These tests revealed no impairment risk at 31 December 2018.

Note 12 : Liabilities to credit institutions and customers & debt securities

12.1 - Central Banks

In millions of euros	12/2018	12/2017
Term borrowings	2 500	2 500
Total Central Banks	**2 500**	**2 500**

At 31 December 2018, the book value of the collateral presented to the Bank of France (3G) amounted to €7,454m, that means €6,184m in securities issued by securitization vehicles, €159m in eligible bond securities, and €1,111m in private accounts receivable.

12.2 - Amounts payable to credit institutions

In millions of euros	12/2018	12/2017
Sight accounts payable to credit institutions	**142**	**234**
Ordinary accounts	21	29
Overnight borrowings		1
Other amounts owed	121	204
Term accounts payable to credit institutions	**2 289**	**2 210**
Term borrowings	2 217	2 165
Accrued interest	72	45
Total liabilities to credit institutions (*)	**2 431**	**2 444**
(*) Of which related parties		*1*

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

12.3 - Amounts payable to customers

In millions of euros	12/2018	12/2017
Amounts payable to customers	**16 686**	**15 768**
Ordinary accounts in credit	134	109
Term accounts in credit	710	744
Ordinary saving accounts	12 103	11 456
Term deposits (retail)	3 739	3 459
Other amounts payable to customers and accrued interest	**95**	**76**
Other amounts payable to customers	67	28
Accrued interest on ordinary accounts in credit	7	28
Accrued interest on term accounts in credit		1
Accrued interest on ordinary saving accounts	17	14
Accrued interest on customers term accounts	4	5
Total amounts payable to customers (*)	**16 781**	**15 844**
(*) Of which related parties	*748*	*788*

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

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

12.4 - Debt securities

In millions of euros	12/2018	12/2017
Negotiable debt securities (1)	**1 826**	**1 182**
Certificates of deposit	1 659	1 018
Commercial paper and similar	84	69
French MTNs and similar	65	70
Accrued interest on negotiable debt securities	18	25
Other debt securities (2)	**2 780**	**2 272**
Other debt securities	2 778	2 271
Accrued interest on other debt securities	2	1
Bonds and similar	**18 903**	**17 885**
Bonds	18 804	17 771
Accrued interest on bonds	99	114
Total debt securities (*)	**23 509**	**21 339**
(*) Of which related parties	*95*	*97*

(1) Certificates of deposit, commercial paper and French MTNs are issued by RCI Banque S.A., Banco RCI Brasil S.A., RCI Colombia S.A Compania De Financiamiento and DIAC S.A.

(2) Other debt securities consist primarily of the securities issued by the vehicles created for the German (RCI Banque S.A. Niederlassung Deutschland), UK (RCI Financial Services Ltd), Brazilian (Banco RCI Brasil S.A.), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization offerings.

12.5 - Breakdown of liabilities by valuation method

In millions of euros	12/2018	12/2017
Liabilities valued at amortized cost - Excluding fair value hedge	**37 864**	**34 741**
Central Banks	2 500	2 500
Amounts payable to credit institutions	2 431	2 444
Amounts payable to customers	16 781	15 844
Debt securities	16 152	13 953
Liabilities valued at amortized cost - Fair value hedge	**7 357**	**7 386**
Debt securities	7 357	7 386
Total financial debts	**45 221**	**42 127**

12.6 - Breakdown of financial liabilities by rate type before derivatives

In millions of euros	Variable	Fixed	12/2018
Central Banks		2 500	2 500
Amounts payable to credit institutions	1 105	1 326	2 431
Amounts payable to customers	13 065	3 716	16 781
Negotiable debt securities	430	1 396	1 826
Other debt securities	2 778	2	2 780
Bonds	6 672	12 231	18 903
Total financial liabilities by rate	**24 050**	**21 171**	**45 221**

In millions of euros	Variable	Fixed	12/2017
Central Banks		2 500	2 500
Amounts payable to credit institutions	941	1 503	2 444
Amounts payable to customers	12 235	3 609	15 844
Negotiable debt securities	340	842	1 182
Other debt securities	2 272		2 272
Bonds	5 915	11 970	17 885
Total financial liabilities by rate	**21 703**	**20 424**	**42 127**

12.7 - Breakdown of financial liabilities by remaining term to maturity

The breakdown of financial liabilities by maturity is shown in note 18.

Note 13 : Securitization

SECURITIZATION – Public issues								
Country	France	France	France	Italy	Germany	Germany	Germany	Brazil
Originator	DIAC SA	DIAC SA	DIAC SA	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	Banco RCI Brazil S.A.
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers
Issuer	CARS Alliance Auto Loans France FCT Master	CARS Alliance Auto Loans France V 2018-1	FCT Cars Alliance DFP France	Cars Alliance Auto Loans Italy 2015 s.r.l.	CARS Alliance Auto Loans Germany Master	CARS Alliance Auto Loans Germany V2016-1	Cars Alliance DFP Germany 2017	Fundo de Investimento em Direitos Creditórios RCI Brasil I
Closing date	May 2012	April 2018	July 2013	July 2015	March 2014	May 2016	July 2017	May 2015
Legal maturity date	August 2030	October 2029	July 2028	December 2031	March 2031	May 2027	June 2026	April 2021
Initial purchase of receivables	715 M€	799M€	1 020 M€	1 234 M€	674 M€	822 M€	852 M€	n.a.
Credit enhancement as at the closing date	Cash reserve for 1% Over-collateralization of receivables 15,1%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 1% Over-collateralization of receivables 12,5%	Cash reserve for 1% Over-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 11%
Receivables purchased as of 31 December 2018	554 M€	732 M€	1 199 M€	1 547M€	2 933 M€	396 M€	814 M€	15 M€
Notes in issue as at 31 December 2018 (including any units held by the RCI Banque group)	Class A Rating : AAA 511 M€	Class A Rating : AAA 700M€	Class A Rating : AA 1 000M€	Class A Rating : AAA 1 357M€	Class A Rating : AAA 2 544 M€	Class A Rating : AAA 237 M€	Class A Rating : AAA 675 M€	Class A Rating : AAA 14 M€
		Class B Rating : AA 23M€				Class B Rating : AA 23 M€		
	Class B Non rated 90M€	Class C Non rated 38M€		Class J Non rated 238M€	Class B Non rated 219 M€	Class C Non rated 38 M€		Class B Non rated 3 M€
Period	Revolving	Revolving	Revolving	Revolving	Revolving	Amortizing	Revolving	Amortizing
Transaction's nature	Retained	Market	Retained	Retained	Retained	Market	Retained	Market

In 2018, the RCI Banque group carried 2 securitizations transactions in public format in France and one in Italy by means of special purpose vehicles.

In addition, and as part of its efforts to diversify its refinancing, operations were secured by banks or conduits. As these issues are private, their terms and conditions are not disclosed in the above table.At 31 December 2018, the amount of financing obtained through securitization by conduit totaled €1,784m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €997m.

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2018, the amount of the sales financing receivables thus maintained on the balance sheet totaled €11,010m (€10,391 m at 31 December 2017), as follows:

- Securitization transactions placed on the market: €1,143m

- Retained securitization transactions: €7,046m

- Private securitization transactions: €2,821m

The fair value of these receivables is €10,980m at 31 December 2018.

Liabilities of €2,781m have been booked under "Other debt securities" for the securities issued during securitization transactions. The fair value of these liabilities is €2,645m at 31 December 2018.

The difference between the amount of receivables transferred and the amount of the aforementioned liabilities corresponds to the credit enhancement needed for these transactions and to the share of securities retained by the RCI Banque group serving as a liquidity reserve.

Note 14 : Adjustment accounts & miscellaneous liabilities

In millions of euros	12/2018	12/2017
Taxes payable	**620**	**558**
Current tax liabilities	124	108
Deferred tax liabilities	472	422
Taxes payable other than on current income tax	24	28
Adjustment accounts and other amounts payable	**1 543**	**1 632**
Social security and employee-related liabilities	53	51
Other sundry creditors	679	659
Adjustment accounts - liabilities	461	377
Accrued interest on other sundry creditors	342	542
Collection accounts	8	3
Total adjustment accounts - Liabilities and other liabilities (*)	**2 163**	**2 190**
(*) Of which related parties	*78*	*286*

Deferred tax assets are analyzed in note32.

Other sundry creditors and accruals on sundry creditors mainly concern accrued invoices, provisions for commissions payable for referral of business, insurance commissions payable by the Maltese entities and the valuation of put options on minority interests.

Note 15 : Provisions

In millions of euros	12/2017	Charge	Reversals		Other (*)	12/2018
			Used	Not Used		
Provisions on banking operations	**442**	**305**	**(30)**	**(224)**	**3**	**496**
Provisions for signature commitments		6	(1)	(6)	6	5
Provisions for litigation risks	11	7	(2)	(4)	(2)	10
Insurance technical provisions	418	276	(27)	(207)		460
Other provisions	13	16		(7)	(1)	21
Provisions on non-banking operations	**100**	**24**	**(6)**		**(6)**	**112**
Provisions for pensions liabilities and related	51	5	(5)		(2)	49
Provisions for restructuring		11				11
Provisions for tax and litigation risks	45	7	(1)		(3)	48
Other	4	1			(1)	4
Total provisions	**542**	**329**	**(36)**	**(224)**	**(3)**	**608**

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

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

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

Other provisions on banking operations mainly consist of the insurance technical provision for captive insurance company commitments towards policy holders and beneficiaries. The insurance technical provision came to €460m at end-December 2018.

Provisions for restructuring are for the work exemption plan, a career development scheme funded by the company.

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €347k at end-December 2018 for unfair administration/processing fees and €5.342K relating to provisions for risks concerning the customer's right to rescind the contract (Joker credit). The remaining provisions relate to administration/processing fees billed to business customers.

On 9 January 2019, the Italian Competition Authority ("*Autorità Garante della Concorrenza e del Mercato*") imposed a fine on RCI Banque of 125 million euros, Renault 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 2018, no provisions had thus been made for the above.

Insurance risk

The main risk to which the group is exposed in respect of insurance and re-insurance policies taken out is the risk that the actual total amount of claims and settlements and/or the rate of payment thereof may differ from estimates. The frequency of claims, their seriousness, the valuation of settlements paid out and the type of claims, some of whose development may be long term, all have an impact on the main risk to which the group is exposed. The group makes sure that its available reserves are sufficient to cover its commitments.

Exposure to risk is limited by diversifying the portfolio of insurance and re-insurance policies, and the geographical areas in which they are taken out. Fluctuations in the level of risk are also kept to a minimum through stringent policy selection, compliance with subscription guides and the use of re-insurance agreements.

The group makes use of re-insurance in order to limit risk. Policies are transferred under re-insurance agreements on a proportionate basis. Proportionate reinsurance treaties are signed in order to reduce the group's overall exposures for all businesses and in all countries. The amounts that may be recovered from re-insurers are determined in accordance with the claim reserves and with the reinsurance treaties. Re-insurance does not release the transferor from its commitments to policy holders and if for any reason the re-insurer is unable to meet its obligations, the group is exposed to a credit risk on the policies transferred. Re- insurance treaties are signed with A-rated counterparties and the group actively monitors each re-insurer's rating. The group has assessed the risks covered by reinsurance contracts and believes that no retrocession is required.

Key assumptions

The main assumption underlying estimates of liabilities is that the trend in future claims will follow exactly the same trend as in past claims.

The group has therefore factored in an ultimate loss rate in estimating the total cost of claims and of claim reserves (IBNR). Bearing in mind the reinsurance treaties that have been signed, any deterioration or improvement in this loss rate would have no significant impact on the year's results.

Provisions for pension and other post-employment benefits

In millions of euros	12/2018	12/2017
France	34	32
Rest of world	15	19
Total provisions	**49**	**51**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2018	12/2017
Retirement age	67 years	67 years
Salary increases	1,80%	1,52%
Financial discount rate	1,95%	1,90%
Starting rate	5,19%	6,25%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2018	12/2017	12/2018	12/2017	12/2018	12/2017
Average duration	25 years	25 years	20 years	18 years	22 years	12 years
Rate of wage indexation	3,10%	3,10%	1,15%	1,00%	1,40%	1,25%
Financial discount rate	2,85%	2,50%	0,90%	0,75%	1,80%	2,00%
Actual return rate of hedge assets	-5,30%	8,80%	1,00%	1,22%	1,80%	2,00%

Changes in provisions during the year

In millions of euros	Actuarial value of obligations (A)	Actuarial value of invested funds (B)	Obligations less invested funds (C)	Net liabilities of the defined-benefit pension plans (A)-(B)-(C)
Opening balance of the current period	**93**	**43**		**50**
Current service cost	4			4
Net interest on the net liability (asset)	2	1		1
Expense (income) recorded in the income statement	**6**	**1**		**5**
Actuarial gains and losses on the obligation resulting from changes in demographic assumptions	(1)			(1)
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	(1)			(1)
Net return on fund asset (not included in net interest above)		(2)		2
Expense (income) recorded in Other components of comprehensive income	**(2)**	**(2)**		
Employer's contributions to funds		1		(1)
Benefits paid	(4)	(1)		(3)
Effect of changes in exchange rates	(2)			(2)
Balance at the closing date of the period	**91**	**42**		**49**

Nature of invested funds

In millions of euros	**12/2018**		**12/2017**	
	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
Shares	13		11	
Bonds	25		27	
Others	4		5	
Total	**42**		**43**	

Note 16 : Impairments allowances to cover counterparty risk

In millions of euros	12/2017	Charge	Reversals		Other (*)	12/2018
			Used	Not Used		
Impairments on banking operations	**647**	**508**	**(372)**	**(82)**	**105**	**806**
Credit institutions transactions		1			(1)	
Customer finance transactions	642	507	(372)	(82)	111	806
Securities transactions	5				(5)	
Impairment on non-banking operations	**2**	**8**	**(2)**	**(6)**	**6**	**8**
Provisions for signature commitments		6	(1)	(6)	6	5
Other impairment to cover counterparty risk	2	2	(1)			3
Impairment on banking operations	**11**	**7**	**(2)**	**(4)**	**(2)**	**10**
Provisions for litigation risks	11	7	(2)	(4)	(2)	10
Total provisions to cover counterparty risk	**660**	**523**	**(376)**	**(92)**	**109**	**824**

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

A breakdown by market segment of allowances for impairment of assets in connection with customer finance operations is provided in note 7.

Note 17 : Subordinated debt - Liabilities

In millions of euros	12/2018	12/2017
Participating loan stocks	13	13
Total subordinated liabilities	**13**	**13**

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

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

Note 18 : Financial assets and liabilities by remaining term to maturity

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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2017
Financial assets	**12 101**	**14 614**	**19 971**	**581**	**47 267**
Cash and balances at central banks	1 303				1 303
Derivatives	13	38	72		123
Financial assets	385	190	506	206	1 287
Amounts receivable from credit institutions	974	70	80		1 124
Loans and advances to customers	9 426	14 316	19 313	375	43 430
Financial liabilities	**14 665**	**5 616**	**18 180**	**3 797**	**42 258**
Central Banks			2 500		2 500
Derivatives	25	28	46	19	118
Amounts payable to credit institutions	690	726	1 028		2 444
Amounts payable to customers	12 459	1 354	1 331	700	15 844
Debt securities	1 491	3 508	13 275	3 065	21 339
Subordinated debt				13	13

Central Bank borrowings correspond to the longer term refinancing operations (TLTRO) introduced at the end of 2014 and gradually being used by RCI Banque.

Note 19 : Breakdown of future contractual cash flows by maturity

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2018
Financial liabilities	**15 768**	**6 388**	**20 352**	**3 866**	**46 374**
Central Banks			2 500		2 500
Derivatives	3	16	25		44
Amounts payable to credit institutions	602	496	1 261		2 359
Amounts payable to customers	13 245	1 407	1 402	700	16 754
Debt securities	1 785	4 134	14 399	3 072	23 390
Subordinated debt				9	9
Future interest payable	133	335	765	85	1 318
Financing and guarantee commitments	**2 331**	**9**		**4**	**2 344**
Total breakdown of future contractual cash flows by maturity	**18 099**	**6 397**	**20 352**	**3 870**	**48 718**

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2017
Financial liabilities	**14 701**	**5 749**	**18 845**	**3 882**	**43 177**
Central Banks			2 500		2 500
Derivatives	5	12	63	29	109
Amounts payable to credit institutions	679	693	1 028		2 400
Amounts payable to customers	12 415	1 351	1 331	700	15 797
Debt securities	1 458	3 432	13 273	3 065	21 228
Subordinated debt				10	10
Future interest payable	144	261	650	78	1 133
Financing and guarantee commitments	**2 250**	**46**		**7**	**2 303**
Total breakdown of future contractual cash flows by maturity	**16 951**	**5 795**	**18 845**	**3 889**	**45 480**

The sum of the future contractual cash flows is not equal to the values in the balance sheet. This is because future contractual interest and non-discounted coupon payments on swaps are taken into account.

For liability derivatives, the contractual cash flows correspond to the amounts payable.

For the other non-derivative financial liabilities, the contractual cash flows correspond to the repayment of the value and the payment of interest.

Interest for variable rate financial instruments has been estimated on the basis of the interest rate in effect at 31 December 2018.

Note 20 : Fair value of assets and liabilities (in accordance with IFRS 7 & IFRS 13) and breakdown of assets and liabilities by fair value hierarchy

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

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

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

In millions of euros - 31/12/2017	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**47 267**	**1 260**	**2 550**	**43 317**	**47 127**	**(140)**
Cash and balances at central banks	1 303		1 303		1 303	
Derivatives	123		123		123	
Financial assets	1 287	1 260		27	1 287	
Amounts receivable from credit institutions	1 124		1 124		1 124	
Loans and advances to customers	43 430			43 290	43 290	(140)
Financial liabilities	**42 258**	**13**	**42 494**		**42 507**	**(249)**
Central Banks	2 500		2 500		2 500	
Derivatives	118		118		118	
Amounts payable to credit institutions	2 444		2 445		2 445	(1)
Amounts payable to customers	15 844		15 844		15 844	
Debt securities	21 339		21 587		21 587	(248)
Subordinated debt	13	13			13	

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

Assumptions and methods used:

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

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

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

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

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

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

The main assumptions and valuation methods used are the following:

- **Financial assets**

Fixed-rate loans have been estimated by discounting future cash flows at the interest rates offered by RCI Banque at 31 December 2017 and at 31 December 2018 for loans with similar conditions and maturities.

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

- **Loans and advances to customers**

Sales financing receivables have been estimated by discounting future cash flows at the interest rate that would have applied to similar loans (conditions, maturity and borrower quality) at 31 December 2017 and at 31 December 2018.

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

- **Financial liabilities**

Fair value of financial liabilities has been estimated by discounting future cash flows at the interest rates offered to RCI Banque at 31 December 2017 and 31 December 2018 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

Note 20 : Netting agreements and other similar commitments

Master Agreement relating to transactions on forward financial instruments and similar agreements

The RCI Banque group negotiates its forward derivative agreements under International Swaps and Derivatives Association (ISDA) and FBF (*Fédération Bancaire Française*) Master Agreements.

The occurrence of an event of default entitles the non- defaulting party to suspend performance of its payment obligations and to payment or receipt of a settlement amount for all terminated transactions.

ISDA and FBF Master Agreements do not meet the criteria for offsetting in the financial statements. The RCI Banque group currently only has a legally enforceable right to offset booked amounts in the event of default or a credit event.

Synthesis of financial assets and liabilities agreements

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

(1) The gross book value of dealer financing receivables breaks down into €659M for the Renault Retail Group, whos exposures are hedged for up to €654M by a cash warrent agreement given by the Renault manufacturer (see note 12.3) and €425M for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €174M by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

In millions of euros - 31/12/2017	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	**1 342**		**1 342**	**41**	**864**		**437**
Derivatives	123		123	41			82
Network financing receivables (1)	1 219		1 219		864		355
Liabilities	**118**		**118**	**41**			**77**
Derivatives	118		118	41			77

(1) The gross book value of dealer financing receivables breaks down into €826M for the Renault Retail Group, whos exposures are hedged for up to €695M by a cash warrent agreement given by the Renault manufacturer (see note 12.3) and €393M for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €169M by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

Note 22 : Commitments given

In millions of euros	12/2018	12/2017
Financing commitments	**2 362**	**2 314**
Commitments to customers	2 362	2 314
Guarantee commitments	**75**	**81**
Commitments to credit institutions	71	74
Customer guarantees	4	7
Commitments on securities	**5**	
Other securities receivable	5	
Other commitments given	**73**	**28**
Commitments given for equipment leases and real estate leases	73	28
Total commitments given (*)	**2 515**	**2 423**
(*) Of which related parties	*4*	*12*

Note 23 : Commitments received

In millions of euros	12/2018	12/2017
Financing commitments	**4 820**	**4 939**
Commitments from credit institutions	4 820	4 939
Guarantee commitments	**14 138**	**12 609**
Guarantees received from credit institutions	257	234
Guarantees from customers	6 151	5 919
Commitments to take back leased vehicles at the end of the contract	7 730	6 456
Other commitments received	**20**	
Other commitments received	20	
Total commitments received (*)	**18 978**	**17 548**
(*) Of which related parties	*4 698*	*4 235*

At 31 December 2018, RCI Banque had €4,820m in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €3,848m of self-subscribed securitizations and unencumbered private receivables mobilizable with the European Central Bank (after haircuts and excluding securities and receivables already in use to secure financing at year-end).

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

Guarantees and collateral

Guarantees or collateral offer partial or total protection against the risk of losses due to debtor insolvency (mortgages, pledges, comfort letters, bank guarantees on first demand for the granting of loans to dealers and private customers in certain cases). Guarantors are the subject of internal or external rating updated at least annually.

With a view to reducing its risk-taking, the RCI Banque group thus actively and rigorously manages its sureties, among other things by diversifying them: credit insurance, personal and other guarantees.

Note 24 : Exposure to currency risk

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

In millions of euros - 12/2017	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position USD		(568)	569		1	1	
Position GBP		(342)	469		127		127
Position CHF	517			(514)	3		3
Position CZK	88			(70)	18	1	17
Position ARS	7				7	1	6
Position BRL	151				151		151
Position PLN	398			(385)	13		13
Position HUF	6				6		6
Position RON	6			(6)			
Position KRW	167				167		167
Position MAD	28				28	2	26
Position DKK	151			(148)	3	3	
Position TRY	17				17		17
Position SEK	122			(122)			
Position NOK	1				1	1	
Position RUB	3				3	3	
Position SGD		(30)	30				
Position INR	28				28		28
Position COP	21				21		21
Total exposure	**1 711**	**(940)**	**1 068**	**(1 245)**	**594**	**12**	**582**

The structural foreign exchange position corresponds to the value of foreign currency equity securities held by RCI Banque SA.

Note 25 : Interest and similar income

In millions of euros	12/2018	12/2017
Interests ans similar incomes	**2 751**	**2 540**
Transactions with credit institutions	51	25
Customer finance transactions	2 037	1 934
Finance lease transactions	591	510
Accrued interest due and payable on hedging instruments	61	60
Accrued interest due and payable on Financial assets	11	11
Staggered fees paid for referral of business:	**(656)**	**(548)**
Customer Loans	(534)	(450)
Finance leases	(122)	(98)
Total interests and similar income (*)	**2 095**	**1 992**
(*) Of which related parties	*705*	*645*

As the receivables assigned under the securitization transactions have not been derecognized, interest on those receivables continues to appear under interest and similar income in customer finance transactions.

Note 26 : Interest expenses and similar charges

In millions of euros	12/2018	12/2017
Transactions with credit institutions	(191)	(184)
Customer finance transactions	(129)	(126)
Finance lease transactions	(1)	(1)
Accrued interest due and payable on hedging instruments	(47)	(54)
Expenses on debt securities	(316)	(387)
Other interest and similar expenses	(18)	(17)
Total interest and similar expenses (*)	**(702)**	**(769)**
(*) Of which related parties	*(6)*	*(12)*

Note 27 : Fees and commissions

In millions of euros	12/2018	12/2017
Fees and commissions income	**545**	**492**
Commissions	15	13
Fees	22	20
Incidental commissions from finance contracts	372	332
Commissions from service activities	72	62
Insurance brokerage commission	64	65
Fees and commissions expenses	**(213)**	**(209)**
Commissions	(20)	(19)
Commissions on services related to finance contracts	(138)	(142)
Commissions on service activities	(55)	(48)
Total net commissions (*)	**332**	**283**
(*) Of which related parties	*13*	*6*

To make the financial statements more transparent and easier to read, commissions from finance contracts, commissions from service activities, insurance brokerage commissions and other income and expenses have been reclassified for presentation reasons.
Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities primarily concern insurance and maintenance contracts.

Note 28 : Net gains (losses) on financial instruments at fair value through profit or loss

In millions of euros	12/2018	12/2017
Net gains (losses) on derivatives classified as transactions in trading securities	**(2)**	**18**
Net gains / losses on forex transactions	(8)	7
Net gains / losses on derivatives classified in trading securities	8	(2)
Net gains and losses on equity securities at fair value	(1)	(1)
Fair value hedges : change in value of hedging instruments	28	(113)
Fair value hedges : change in value of hedged items	(28)	127
Net gains / losses on financial assets designated at fair value through profit or loss	(1)	
Financial assets designated at fair value through profit or loss	**(29)**	
Dividends from non-consolidated holdings	4	
Gains or losses on disposal	(33)	
Total net gains or losses on financial instruments at fair value (*)	**(31)**	**18**
(*) Of which related parties	*4*	

Note 29 : Net income or expense of other activities

In millions of euros	12/2018	12/2017
Other income from banking operations	**950**	**786**
Income from service activities	451	423
Income related to non-doubtful lease contracts	271	156
of which reversal of impairment on residual values	*27*	*15*
Income from operating lease transactions	193	173
Other income from banking operations	35	34
of which reversal of charge to reserve for banking risks	*10*	*14*
Other expenses of banking operations	**(725)**	**(682)**
Cost of service activities	(187)	(197)
Expenses related to non-doubtful lease contracts	(280)	(198)
of which allowance for impairment on residual values	*(25)*	*(60)*
Distribution costs not treatable as interest expense	(92)	(139)
Expenses related to operating lease transactions	(133)	(118)
Other expenses of banking operations	(33)	(30)
of which charge to reserve for banking risks	*(16)*	*(14)*
Other operating income and expenses	**11**	**4**
Other operating income	27	22
Other operating expenses	(16)	(18)
Total net income (expense) of other activities (*)	**236**	**108**
(*) Of which related parties	*(9)*	*(49)*

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities are presented in Note 27.

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

Net income of own risk insurance activities

In millions of euros	12/2018	12/2017
Gross premiums issued	349	326
Net charge of provisions for technical provisions	(42)	(75)
Claims paid	(27)	(23)
Others contract charges including commissions paid		(1)
Claims recovered from reinsurers	11	10
Others reinsurance charges and incomes	(25)	(8)
Total net income of insurance activities	**266**	**229**

Note 30 : General operating expenses and personnal costs

In millions of euros	12/2018	12/2017
Personnel costs	**(295)**	**(268)**
Employee pay	(190)	(182)
Expenses of post-retirement benefits	(16)	(16)
Other employee-related expenses	(66)	(67)
Other personnel expenses	(23)	(3)
Other administrative expenses	**(270)**	**(246)**
Taxes other than current income tax	(43)	(39)
Rental charges	(11)	(11)
Other administrative expenses	(216)	(196)
Total general operating expenses (*)	**(565)**	**(514)**
(*) Of which related parties	*(2)*	

Auditors'fees are analysed in part E- fees of auditors and their network, in the general information section. In addition, non-audit services that KPMG provided during the financial year to RCI and entities that it controls mainly concern (i) comfort letters in connection with bond issues (ii) attest engagements mainly relating to CSR information, and (iii) agreed procedures carried out mainly for local regulatory reasons. Non-audit services provided by Ernst & Young Audit in the financial year to RCI and entities that it controls concern (i) comfort letters in connection with bond issues, and (ii) agreed procedures undertaken mainly for local regulatory reasons.

Average number of employees	12/2018	12/2017
Sales financing operations and services in France	1 545	1 461
Sales financing operations and services in other countries	1 937	1 821
Total RCI Banque group	**3 481**	**3 282**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel-related risks.

Note 31 : Cost of risk by customer category

In millions of euros	12/2018	12/2017
Cost of risk on customer financing	**(172)**	**(58)**
Impairment allowances	(398)	(202)
Reversal of impairment	308	234
Losses on receivables written off	(114)	(120)
Amounts recovered on loans written off	32	30
Cost of risk on dealer financing	**34**	**15**
Impairment allowances	(83)	(50)
Reversal of impairment	117	76
Losses on receivables written off	(1)	(12)
Amounts recovered on loans written off	1	1
Other cost of risk	**(7)**	**(1)**
Change in allowance for impairment of other receivables	(5)	(1)
Other valuation adjustments	(2)	
Total cost of risk	**(145)**	**(44)**
(*) Of which related parties	*(1)*	

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

Note 32 : Income tax

In millions of euros	12/2018	12/2017
Current tax expense	**(283)**	**(246)**
Current tax expense	(283)	(246)
Deferred taxes	**(50)**	**(83)**
Income (expense) of deferred taxes, gross	(51)	(83)
Change in allowance for impairment of deferred tax assets	1	
Total income tax	**(333)**	**(329)**

The amount of the French CVAE tax (*Cotisation sur la Valeur Ajoutée des Entreprises*, a tax computed on the added value generated by the company) included in current income tax is -€5m.

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

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

Breakdown of net deferred taxes by major category

In millions of euros	12/2018	12/2017
Provisions	18	30
Provisions and other charges deductible when paid	14	8
Tax loss carryforwards	96	66
Other assets and liabilities	156	82
Lease transactions	(610)	(489)
Non-current assets	4	(1)
Impairment allowance on deferred tax assets	(5)	(6)
Total net deferred tax asset (liability)	**(327)**	**(310)**

Reconciliation of actual tax expense booked and theoretical tax charge

In %	12/2018	12/2017
Statutory income tax rate - France	**34,43%**	**34,43%**
Differential in tax rates of French entities	0,77%	2,97%
Differential in tax rates of foreign entities	-7,58%	-5,04%
Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards	-0,07%	0,01%
Effect of equity-accounted associates	-0,38%	-0,42%
Other impacts	0,10%	-1,36%
Effective tax rate	**27,27%**	**30,59%**

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2018 change in equity			2017 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	4	(1)	3	(2)		(2)
Unrealised P&L on financial assets	(1)	1		1		1
Actuarial differences	2		2	(1)		(1)
Exchange differences	(65)		(65)	(78)		(78)

Note 33 : Events after the end of the reporting period

On 9 January 2019, the Italian Competition Authority ("*Autorità Garante della Concorrenza e del Mercato*") imposed a fine on RCI Banque of 125 million euros, Renault SA being jointly liable for payment of the fine. RCI Banque's position as regards this event, is given in note 15. Thus no event subsequent to closure that might have a significant effect on the accounts to 31 December 2018 occurred between the date of closure and 08 February 2019, the date on which the Board approved the accounts.

8. GROUP SUBSIDIARIES AND BRANCHES

A) List of consolidated companies and foreign branches

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2017	2016
PARENT COMPANY: RCI BANQUE S.A..						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque SA Niederlassung Osterreich	Austria					
RCI Banque S.A. Sucursal en Espana	Spain					
RCI Banque Sucursal Portugal	Portugal					
RCI Banque S.A. Bancna Podruznica Ljubljana	Slovenia					
RCI Banque Succursale Italiana	Italy					
RCI Banque Branch Ireland	Ireland					
Renault Finance Nordic, Bankfilial till RCI Banque S.A. Frankrike	Sweden					
RCI Banque Spółka Akcyjna Oddział w Polsce	Poland					
RCI Bank UK	United-Kingdom					
FULLY CONSOLIDATED COMPANIES:						
RCI Versicherungs Service GmbH	Germany	100			100	100
Rombo Compania Financiera S.A.	Argentina	60			60	60
Courtage S.A.	Argentina	95			95	95
RCI Financial Services 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 Arredamento Mercantil RCI Brasil)	Brazil	60.11			60.11	60.11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			100	100
RCI Colombia S.A. Compania De Financiamiento**	Colombia	51			51	51
RCI Servicios Colombia S.A. *	Colombia	94.98			94.98	-
RCI Financial Services Korea Co, Ltd	South Korea	100			100	100
Overlease S.A.	Spain	100			100	100
Diac S.A.	France	100			100	100
Diac Location S.A.	France	-	100	Diac S.A.	100	100
RCI ZRT	Hungary	100			100	100
ES Mobility SRL	Italy	100			100	100
RCI Services Ltd	Malta	100			100	100
RCI Insurance Ltd	Malta	-	100	RCI Services Ltd	100	100
RCI Life Ltd	Malta	-	100	RCI Services Ltd	100	100
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
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 Finantare Romania	Romania	100			100	100
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 Financial Services Ltd	United-Kingdom	100			100	100
OOO RN FINANCE RUS	Russia	100			100	100
RCI Finance S.A.	Switzerland	100			100	100
SPV						
CARS Alliance Auto Loans Germany Master	Germany		(see note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V2016-1	Germany		(see note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Deutschland		
CARS Alliance DFP Germany 2017**	Germany		(see note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans France V 2018-1*	France		(see note 13)	Diac S.A.		
FCT Cars Alliance DFP France	France		(see note 13)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(see note 13)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL	Italy		(see note 13)	RCI Banque Succursale Italiana		
Cars Alliance Auto UK 2015 Limited	United-Kingdom			RCI Financial Services Ltd		

Fundo de Investimento em Direitos Creditórios RCI Brasil I	Brazil		(see note 13)	Banco RCI Brasil S.A.		
Fundo de Investimento em Direitos Creditórios RN Brasil I	Brazil			Banco RCI Brasil S.A.		
Fundo de Investimentos em Direitos Creditórios CAS VD*	Brazil			Banco RCI Brasil S.A.		
	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2017	2016
COMPANIES ACCOUNTED FOR UNDER THE EQUITY METHOD:						
RN SF B.V.	Netherlands	50			50	50
BARN B.V.	Netherlands	-	60	RN SF B.V.	30	30
RN Bank	Russia	-	100	BARN B.V.	30	30
Orfin Finansman Anonim Sirketi	Turkey	50			50	50
Renault Crédit Car	Belgium	-	50.10	AUTOFIN	50.10	50.10
Nissan Renault Financial Services India Private Ltd	India	30			30	30

* Entities added to the scope in 2018

** Entities added to the scope in 2017

B) Subsidiaries in which non-controlling interests are significant

In millions of euros - 31/12/2018 - before intra-group elimination	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40,00%	39,89%
Share in associates by non controlling interests	40,00%	39,89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Full consolidation
Net Income: Share in net income (loss) of associates and joint ventures		19
Equity: Investments in associates and joint ventures		
Dividends paid to non controlling interests (minority shareholders)		8
Cash, due from banks	21	103
Net outstandings customers loans and lease financings	185	1 965
Other assets	4	143
Total assets	**210**	**2 211**
Due to banks, customer deposits and debt securities issued	171	1 867
Other liabilities	10	89
Net Equity	29	255
Total liabilities	**210**	**2 211**
Net banking income	**8**	**121**
Net income	(1)	47
Other components of comprehensive income	6	(12)
Total comprehensive income	**5**	**35**
Net cash generated by operating activities	15	80
Net cash generated by financing activities		(33)
Net cash generated by investing activities		(2)
Net increase/(decrease) in cash and cash equivalents	**15**	**45**

Percentages of voting rights are identical.
The amount of debt for puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €127m at 31 December 2018, against €129m at 31 December 2017.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €13m at 31 December 2018, against €25m at 31 December 2017.

In millions of euros - 31/12/2017 - before intra-group elimination	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A
Country of location	Argentina	Brazil
Percentage of capital held by non controlling interests	40,00%	39,89%
Share in associates by non controlling interests	40,00%	39,89%
Nature	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Full consolidation
Net Income: Share in net income (loss) of associates and joint ventures	4	19
Equity: Investments in associates and joint ventures		(1)
Dividends paid to non controlling interests (minority shareholders)		51
Cash, due from banks	5	92
Net outstandings customers loans and lease financings	344	1 876
Other assets	5	163
Total assets	**354**	**2 131**
Due to banks, customer deposits and debt securities issued	301	1 780
Other liabilities	7	88
Net Equity	46	263
Total liabilities	**354**	**2 131**
Net banking income	**24**	**125**
Net income	9	49
Other components of comprehensive income		(18)
Total comprehensive income	**9**	**31**
Net cash generated by operating activities	3	236
Net cash generated by financing activities		(216)
Net cash generated by investing activities		
Net increase/(decrease) in cash and cash equivalents	**3**	**20**

C) Significant associates and joint ventures

In millions of euros - 31/12/2018 - before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30,00%	50,00%	30,00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	9	4	2
Investments in associates and joint ventures	63	21	31
Dividends received from associates and joint ventures			
Cash, due from banks	124	53	2
Net outstandings customers loans and lease financings	993	454	326
Other assets	39	7	14
Total assets	**1 156**	**514**	**342**
Due to banks, customer deposits and debt securities issued	919	458	13
Other liabilities	33	13	227
Net Equity	204	43	102
Total liabilities	**1 156**	**514**	**342**
Net banking income	**74**	**21**	**18**
Net income	35	8	5
Other components of comprehensive income			
Total comprehensive income	**35**	**8**	**5**
Net cash generated by operating activities	(13)	2	(47)
Net cash generated by financing activities	38		
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**25**	**2**	**(47)**

In millions of euros - 31/12/2017 - before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30,00%	50,00%	30,00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	9	4	2
Investments in associates and joint ventures	48	24	30
Dividends received from associates and joint ventures			
Cash, due from banks	114	67	2
Net outstandings customers loans and lease financings	963	600	305
Other assets	35	7	26
Total assets	**1 112**	**674**	**333**
Due to banks, customer deposits and debt securities issued	908	610	45
Other liabilities	52	16	187
Net Equity	152	48	101
Total liabilities	**1 112**	**674**	**333**
Net banking income	**70**	**21**	**17**
Net income	32	8	6
Other components of comprehensive income	(1)		
Total comprehensive income	**31**	**8**	**6**
Net cash generated by operating activities	47	13	(110)
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**47**	**13**	**(110)**

D) Significant restrictions

The group has no significant restrictions on its ability to access or use its assets and settle its liabilities, other than those resulting from the regulatory framework in which its subsidiaries operate. Local supervisory authorities may require bank subsidiaries to maintain a certain level of capital and liquidities, to limit their exposure to other parts of the group and to comply with other ratios.

APPENDIX 1: Information about locations and operations

In millions of euros - 31/12/2018

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
France	RCI Banque S.A.	Holding	429	185,5	83,5	(48,5)	20,0	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	353	247,3	174,6	(27,9)	(28,0)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	59	44,4	19,4	(10,5)	1,1	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	53	23,1	12,5	(2,0)	(1,1)	
Belgium	RCI Financial Services S.A.	Financing	33	15,8	11,1	(3,4)	(0,6)	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	152	132,5	86,3	(30,2)	(1,8)	
	Banco RCI Brasil S.A.	Financing						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	54	23,6	11,9	(3,0)	0,3	
	RCI Servicios Colombia S.A.	Financing						
South Korea	RCI Financial Services Korea Co. Ltd	Financing	111	66,7	40,5	(10,1)	0,4	
Spain	Rci Banque S.A. Sucursal En España	Financing	210	143,5	98,3	(38,3)	9,1	
	Overlease S.A.	Financing						
France	Diac S.A.	Financing	1 034	418,8	209,5	(1,5)	(66,7)	
	Diac Location S.A.	Financing						
Hungary	RCI Zrt	Financing	5	3,4	3,2	(0,2)		
India	Nissan Renault Financial Services India Private Limited	Financing	107		1,6			
Ireland	RCI Banque, Branch Ireland	Financing	26	18,0	15,2	(1,9)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	216	148,3	102,3	(33,6)	(0,3)	
	ES Mobility S.R.L.	Financing						
Malta	RCI Services Ltd	Holding	27	136,3	130,4	(15,7)	7,6	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	48	25,1	13,3	(6,4)	1,8	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	46	21,4	12,3	(3,2)	0,3	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	65	32,0	26,4	(11,2)	3,5	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	44	19,1	19,7	(5,4)	0,6	
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	12,6	8,5	(1,8)		
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	67	16,3	11,8	(2,0)		
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	288	151,4	84,8	(22,1)	4,3	
	RCI Bank UK	Financing						
Russia	OOO RN Finance Rus	Financing	189	0,3	10,8	(0,1)		
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Bančna podružnica Ljubljana	Financing	40	9,4	5,1	(1,2)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A. Frankrike	Financing	17	10,3	7,2	(1,1)	(0,5)	
Switzerland	RCI Finance S.A.	Financing	48	25,0	11,0	(1,7)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	60		3,8			
TOTAL			**3 803**	**1 930**	**1 215**	**(283)**	**(50)**	

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, …), balances assets and liabilities, and adjusts the cash positions of the group's companies, while managing and minimizing exposure to financial risks, through the use of interest rate swaps, currency swaps and spot and forward foreign exchange transactions.

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

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

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

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

ORGANIZATION OF MARKET RISK MANAGEMENT

The specific market risk management system is part of the RCI Banque group's overall internal control system, and operates to standards approved by Renault as the shareholder. RCI Banque's Finance and Cash Department is responsible for managing market risks (aggregate risk arising from interest rate, liquidity and foreign exchange exposures) and for verifying compliance with allowable limits at the consolidated group level. The rules and ceilings are approved by the shareholder and are periodically updated. The Financial Risk team attached to the Risk and Bank Regulations Department (Corporate Secretary's Office and Risk Management Department) is responsible for producing a daily report and overseeing the group's exposure to financial risks.

Foreign exchange instruments, interest rate instruments and currencies approved for use in managing market risks are specified on a list of authorized products validated by RCI Banque's Finance Committee.

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

INTEREST RATE RISK

The overall interest rate risk represents the impact of fluctuating rates on the future gross financial margin.

The RCI Banque group's aim is to mitigate this risk as far as possible in order to protect its mark-up.

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

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

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€14.1m
Not assigned:	€03.9m
Total sensitivity limit in €m granted by Renault to RCI Banque:	€50.0m

The indicator monitored internally, discounted sensitivity (Economic Value - EV) consists in measuring at a given point in time (t) the impact of a change in interest rates on the market price of an entity's balance sheet flows.

The market price is determined by the discounting of future cash flows at the market rates at point t. This measurement is used to set the limits that apply to the group's management entities.

In accordance with regulatory changes (EBA/GL/2018/02), RCI Banque also measures the sensitivity of the net interest margin (NIM) and the sensitivity of the economic value of equity (EVE).

Calculations are based on average monthly asset and liability gaps which incorporate fixed-rate transactions and floating rate transactions until their next review date.

Maturities of in-force business are determined by taking into account the contractual characteristics of transactions and the results of the modelling of historical customer behavior patterns (early repayment, etc.), supplemented by assumptions about certain aggregates (owners' equity, etc.).

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

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

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

Over the Year 2018, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€50m).

At 31 December 2018, sensitivity to NIM following a 100-basis point rise in rates would have an impact of:

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

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

Analysis of the structural rate highlights the following points:

- SALES FINANCING SUBSIDIARIES

Virtually all loans to customers by sales financing subsidiaries are granted at a fixed rate for terms of one to seventy-two months.

These loans are hedged by fixed-rate resources having the same structure. They are backed by macro-hedging and only generate a residual interest rate risk.

In subsidiaries where the resource is at a floating rate, interest rate risk is hedged by macro-hedging interest rate swaps.

- CENTRAL REFINANCING OFFICE

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

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

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

These swaps and the securities available for sale are measured at fair value by reserves in accordance with IFRS.

Monthly tests are carried out to ascertain:

- the effectiveness of the hedging of fixed-rate resources by the interest rate swaps assigned to micro-hedge them;

- the relevance of macro-hedging transactions, by setting them against the variable rate resources.

These data are calculated on the basis of simplified scenarios, working on the assumption that all positions run to maturity and that they are not readjusted to factor in new market conditions.

The sensitivity of reserves to a change in interest rates as presented above would in no way be representative of an impact on future results.

LIQUIDITY RISK

RCI Banque pays great attention to diversifying its sources of access to liquidity.
To that end, the group imposes stringent internal standards on itself.
RCI Banque's oversight of liquidity risk is based on the following:

- Static liquidity

This indicator measures the difference (gap) between existing liabilities and assets at a given date without any assumptions as to the renewal of liabilities or assets. It gives a point-in-time snapshot of the liquidity position, or static liquidity gap. The group's policy is refinance its assets by means of liabilities with a longer maturity, thus maintaining positive static liquidity gaps across all areas of the balance sheet.

- Liquidity reserve

The liquidity reserve is a source of emergency liquidity that can be used by RCI Banque in the event of necessity. It consists of High Quality Liquid Assets (HQLA) as defined by the Basel Committee for calculating the liquidity coverage ratio (LCR), financial assets not recognized as HQLA by the Basel Committee, confirmed bilateral lines of credit and assets eligible as collateral in European Central Bank (ECB) transactions not already counted as HQLA or financial assets. Minimum and adequate liquidity reserve levels are determined every six months within the centralized refinancing scope and for physical entities whose refinancing is local.

Stress scenarios: Every month, the Finance Committee is informed of the length of time for which the company would be able to maintain its business activity using its liquidity reserve in various stress scenarios. The stress scenarios used include assumptions about runs on deposits, loss of access to new funding, partial unavailability of certain components of the liquidity reserve, and forecasts of new gross lending. Assumptions about runs on deposits under stress are very conservative and are regularly back-tested.

FOREIGN EXCHANGE RISK

Since May 2009, RCI Banque has been authorized by France's Prudential Control and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR) to exclude durable and structural assets from its foreign exchange exposure, given its compliance with the conditions set out in Article 331 of the Order dated 20 February 2007.

Consequently, as its foreign exchange position is below the 2% of capital threshold set in Article 293-2 of the Order dated 20 February 2007, RCI Banque no longer calculates capital requirements for the foreign exchange risk.

- CENTRAL REFINANCING UNIT

The forex position of RCI Banque S.A., the central refinancing unit, which historically is very low, stayed under €4m throughout the year.

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

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

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

- SALES FINANCING SUBSIDIARIES

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

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

The RCI Banque group's overall limit granted by the Renault shareholder is €30m.

At 31 December 2018, the RCI Banque group's consolidated forex position is €9.2m.

COUNTERPARTY RISK

RCI Banque's exposure to bank counterparty risk arises from various market transactions made by the group's entities as part of their everyday business (investment of cash surpluses, interest rate or forex hedging, investments in liquid assets, etc.).

Transactions are made with first-class banks and counterparty risk on market transactions is managed with a system of limits set by RCI Banque and then approved by Renault as part of the group-wide consolidation of counterparty risks. Limits are set using an internal rating method based on capital adequacy, long-term ratings by credit agencies and a qualitative appraisal of the counterparty.

Compliance with these limits is monitored daily. All the results of controls are communicated monthly to the RCI Banque finance committee and integrated into the consolidated monitoring of Groupe Renault counterparty risk.

In addition to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI has a portfolio of investments in liquid assets. Limits on the amount and maturity of the latter are set for each issuer.

RCI Banque has also invested in money market funds, corporate bonds and a fund whose assets consist of debt securities issued by European agencies, sovereigns and by supranational issuers. Each of these investments is subject to a specific limit approved by the finance committee and reviewed at least once a year.

Occasional authorization is also granted to sales refinancing subsidiaries so that they can invest in treasury bills or Central Bank notes in their home countries.

These limits are also monitored daily and are reported monthly to the RCI Banque finance committee.

In the case of finance entities, risk takes into account cash exposure (deposits and accrued interest) and exposure on derivatives calculated using the internal fixed-rate method presented hereafter.

Fixed-rate method:

Exposure to counterparty risk is measured using weighting factors which depend on the type of instrument and the duration of the transaction.

Between 0 and 1 year	2 %	Between 0 and 1 year	6 %
Between 1 and 2 years	5 %	Between 1 and 2 years	18 %
Between 2 and 3 years	8 %	Between 2 and 3 years	22 %
Between 3 and 4 years	11 %	Between 3 and 4 years	26 %
Between 4 and 5 years	14 %	Between 4 and 5 years	30 %
Between 5 and 6 years	17 %	Between 5 and 6 years	34 %
Between 6 and 7 years	20 %	Between 6 and 7 years	38 %
Between 7 and 8 years	23 %	Between 7 and 8 years	42 %
Between 8 and 9 years	26 %	Between 8 and 9 years	46 %
Between 9 and 10 years	29 %	Between 9 and 10 years	50 %

These factors are intentionally higher than those stipulated by capital adequacy regulations, which is a deliberately prudent and conservative approach given current market conditions. No netting is made between risks relating to positions that neutralize each other with the same counterparty.

To ensure that this method is conservative, exposure on derivatives is recalculated at regular intervals using the regulatory “positive mark to market + add-on” method presented below:

“**Positive mark to market + add-on” method**:

This method is based on the so-called "major risks" regulatory method. Exposure for derivatives (rate and foreign exchange) is calculated as the sum of potential losses, calculated on the basis of the replacement value of the contracts with the counterparty without netting with potential gains, plus an “add-on” representing the potential future risk. This potential future risk is determined by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and Council of 26 June 2013, Article 274) as follows:

Residual term	Interest rates options (as % of nominal)	Foreign currency and gold options (as % of nominal)
<= 1 year	0%	1%
1 year < term <= 5 years	0.50%	5%
> 5 years	1.50%	7.50%

According to the "positive mark to market + add-on” method, the equivalent counterparty risk is €29m at 31 December 2018 against €117m at 31 December 2017. According to the fixed-rate method, it is €423m at 31 December 2018 against €775m at 31 December 2017.

These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.

Bank guarantees received are subject to specific monitoring.