__ARVAL SERVICE LEASE__

A French limited company in the form of a Société anonyme with share capital of € 66,412,800
Registered office at 1 boulevard Haussmann, 75009 Paris
Siren N°: 352 256 424

Statutory Auditor's review report on the half year consolidated financial information

Period from 1 January 2021 to 30 June 2021

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To the Managing Director,

As Arval Service Lease statutory auditors and in compliance with the assignment entrusted to us, we hereby report to you on the review of the accompanying condensed half-yearly consolidated financial statements of Arval Group, for the six months ended 30 June 2021. As a reminder, Arval Group was establishing condensed half-yearly consolidated financial statements for the first instance in June 2021 and the related information presented for the six months ended 30 June 2020 has not been audited or subject to limited review.

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies internal organization and the performance of our work.

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

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

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

Paris La-Défense, 9 September 2021

The Statutory Auditors

Deloitte & Associés	**Mazars**
Jean Vincent COUSTEL	Matthew BROWN

CONSOLIDATED FINANCIAL STATEMENTS

First half 2021

Contents

PRELIMINARY REMARK

The financial statements and notes presented within this document are referring to consolidated accounts. As a reminder, Arval, fully part of BNP Paribas group that already produces consolidated accounts integrating Arval, has opted for the first option (IFRS 1 D16(a)). Indeed, as BNPP created Arval, it is therefore not necessary to eliminate the effects of a takeover.

It means that Arval uses the same figures (which comply with IFRS Standards) it produced for the BNP Paribas group consolidated financial statements based on BNP Paribas group's principles adopted at the date of transition. This option is also an opportunity to use the same accounting bookings for both BNP Paribas group and for Arval in order to publish the financial statements drawn up on the same basis.

The interim consolidated financial statements are presented in millions of Euros. In certain cases, rounding may cause non-material discrepancies in the lines and columns showing totals.

PROFIT AND LOSS ACCOUNT FOR THE FIRST HALF OF 2021

In millions of euros	Notes	First half 2021	First half 2020
Lease contract revenues		2 389,24	2 299,68
Lease contract costs depreciation		(1 921,16)	(1 870,60)
Lease contract - Financing		(109,52)	(116,14)
Foreign exchange gain/loss		0,19	(6,52)
LEASE CONTRACT MARGIN	3.a	358,76	306,42
Service revenues		1 576,46	1 427,00
Costs of service revenues		(1 255,56)	(1 110,87)
LEASE SERVICES MARGIN	3.b	320,90	316,12
Proceeds of cars sold & End of Contract Fees		2 227,60	1 248,40
Cost of cars sold		(2 061,58)	(1 216,88)
CAR SALES RESULT	3.c	166,02	31,52
GROSS OPERATING INCOME		845,68	654,06
Salary and employee benefit expense	3.d	(261,50)	(245,96)
Other operating expenses	3.d	(103,50)	(92,87)
Depreciation, amortisation and impairment of property, plant and equipment and int	3.d	(29,79)	(27,09)
OPERATING EXPENSES		(394,79)	(365,92)
Cost of risk	3.e	(15,75)	(22,75)
OPERATING RESULT		435,14	265,39
Other incomes and other expenses	3.f	4,05	0,79
Share of earnings of equity-method entities	3.g	2,55	(1,21)
PROFIT BEFORE TAX		441,74	264,98
Corporate income tax	3.h	(107,17)	(54,95)
NET INCOME		334,57	210,02
Net income attributable to minority interests		9,57	6,77
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS		325,00	203,26

STATEMENT OF NET INCOME AND CHANGES IN ASSETS AND LIABILITIES RECOGNISED DIRECTLY IN EQUITY

	In millions of euros	First half 2021	First half 2020
	Net income for the period	**334,57**	**210,02**
Items that are or may be reclassified to profit or loss	- Changes in exchange differences	*14,06*	*(55,29)*
	- Changes in fair value of investments of insurance activities	*0,22*	-
	Changes in fair value recognised in equity		
	Changes in fair value reported in net income		
	- Changes in fair value of hedging instruments	*6,77*	*1,11*
	Changes in fair value recognised in equity		
	Changes in fair value reported in net income		
	- Income tax	*(0,86)*	*(0,10)*
	- Changes in equity-method investments		
		20,19	**(54,29)**
Items that will not be reclassified to profit or loss	- Remeasurement gains (losses) related to post-employment benefit plans provisions	*10,26*	*0,93*
	- Remeasurement gains (losses) related to post-employment benefit plans assets		
	- Income tax	*(2,43)*	*(0,34)*
	- Changes in equity-method investments		
		7,83	**0,59**
	Changes in assets and liabilities recognised directly in equity	**28,02**	**(53,69)**
	Total	**362,59**	**156,33**
	- Attributable to equity shareholders	355,44	151,38
	- Attributable to minority interests	7,15	4,95

BALANCE SHEET AS AT JUNE 30, 2021

In millions of euros	Notes	30 June 2021	31 December 2020
ASSETS			
Goodwill	5.a	518,86	509,79
Other intangible assets	5.b	86,19	84,86
INTANGIBLE ASSETS		605,04	594,65
Rental fleet	5.c	23 092,34	21 732,34
Property, plant and other equipment	5.d	148,67	158,36
TANGIBLE ASSETS		23 241,01	21 890,70
Equity-method investments	5.e	28,07	25,67
Securities at fair value through profit or loss	5.f	10,04	10,46
Derivatives used for hedging purposes	5.g	12,82	18,96
Other non current financial assets	5.h	302,73	297,27
FINANCIAL ASSETS		353,65	352,36
Deferred tax assets	5.i	93,41	74,57
NON CURRENT ASSETS		24 293,12	22 912,28
Inventories	5.j	297,77	400,09
Trade receivables	5.k	1 067,54	982,86
Cash and cash equivalents	5.l	816,67	611,56
Derivatives used for hedging purposes	5.g	5,13	7,59
Other financial assets	5.h	16,56	46,99
Current income tax receivable	5.i	15,79	30,09
Other receivables and prepayments	5.m	1 620,50	1 462,87
CURRENT ASSETS		3 839,96	3 542,03
TOTAL ASSETS		28 133,08	26 454,32
LIABILITIES			
Share capital		66,41	66,41
Share premium		272,23	272,23
Retained earnings and other reserves		1 486,94	1 262,35
Net income		334,57	471,45
Net income for the period attributable to shareholders		*325,00*	*459,93*
Net income for the period attributable to minority interests		*9,57*	*11,52*
TOTAL EQUITY	5.n	2 160,15	2 072,44
Subordinated debt	5.o	90,00	90,00
Debt securities at amortised cost	5.p	789,92	
Borrowings from financial institutions	5.q	15 207,57	14 512,68
Derivatives used for hedging purposes	5.g	11,44	9,82
Retirement benefit obligations and long term benefits	5.r	79,86	80,66
Provisions	5.s	276,30	264,62
Deferred tax liabilities	5.i	279,38	261,86
Trade and other payables	5.t	71,73	61,06
NON CURRENT LIABILITIES		16 806,20	15 280,70
Borrowings from financial institutions	5.q	5 913,29	6 758,88
Debt securities at amortised cost	5.p	499,94	
Derivatives used for hedging purposes	5.g	4,58	3,93
Provisions	5.s	106,46	100,58
Current income tax liabilities	5.i	76,75	31,49
Trade and other payables	5.t	2 565,72	2 206,30
CURRENT LIABILITIES		9 166,73	9 101,18
TOTAL LIABILITIES		25 972,93	24 381,88
TOTAL EQUITY AND LIABILITIES		28 133,08	26 454,32

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY BETWEEN 1 JANUARY 2020 AND 30 JUNE 2021

	Capital and retained earnings			Changes in assets and liabilities recognised directly in equity that will not be reclassified to profit or loss		Changes in assets and liabilities recognised directly in equity that may be reclassified to profit or loss				Total shareholders' equity	Minority interests	Total equity
	Share capital and additional paid-in-capital	Non-distributed reserves	Total	Remeasurement gains (losses) related to postemployment benefits plans	Total	Exchange differences	Financial investments of insurance activities	Derivatives used for hedging purposes	Total			
Capital and retained earnings at 1 January 2020	338,64	1 475,95	1 814,59	(2,15)	(2,15)	(127,01)		(6,82)	(133,83)	1 678,60	15,75	1 694,36
Distribution of dividends												
Increases in capital and issues												
Reduction or redemption of capital												
Impact of internal transactions on minority shareholders												
Acquisitions of additional interests or partial sales of interests												
Other movements												
Realised gains or losses reclassified to retained earnings												
Changes in assets and liabilities recognised directly in equity				0,59	0,59	(53,48)		1,01	(52,47)	(51,88)	(1,81)	(53,69)
Net income for first half year 2020		203,26	203,26							203,26	6,77	210,02
Interim dividend payments												
Capital and retained earnings at 30 June 2020	338,64	1 679,21	2 017,84	(1,56)	(1,56)	(180,49)		(5,82)	(186,30)	1 829,98	20,71	1 850,69
Distribution of dividends		(0,08)	(0,08)							(0,08)	(0,27)	(0,35)
Increases in capital and issues												
Reduction or redemption of capital												
Impact of internal transactions on minority shareholders												
Acquisitions of additional interests or partial sales of interests		(16,23)	(16,23)				2,34		2,34	(13,89)		(13,89)
Other movements												
Realised gains or losses reclassified to retained earnings												
Changes in assets and liabilities recognised directly in equity				(16,29)	(16,29)	(8,53)		1,50	(7,03)	(23,33)	(2,11)	(25,44)
Net income for seconf half year 2020		256,67	256,67						-	256,67	4,75	261,42
Interim dividend payments												
Capital and retained earnings at 31 December 2020	338,64	1 919,57	2 258,21	(17,85)	(17,85)	(189,02)	2,34	(4,32)	(190,99)	2 049,36	23,07	2 072,44
Distribution of dividends		(275,07)	(275,07)							(275,07)	(0,17)	(275,23)
Increases in capital and issues												
Reduction or redemption of capital												
Impact of internal transactions on minority shareholders												
Acquisitions of additional interests or partial sales of interests		0,35	0,35							0,35		0,35
Other movements												
Realised gains or losses reclassified to retained earnings												
Changes in assets and liabilities recognised directly in equity				7,83	7,83	16,48	0,19	5,94	22,61	30,44	(2,42)	28,02
Net income for first half year 2021		325,00	325,00							325,00	9,57	334,57
Interim dividend payments												
Capital and retained earnings at 30 June 2021	338,64	1 969,85	2 308,49	(10,03)	(10,03)	(172,54)	2,53	1,62	(168,38)	2 130,08	30,06	2 160,15

CASH FLOW STATEMENT FOR THE FIRST HALF OF 2021

In millions of euros	First half 2021	First half 2020
Pre-tax income	**441,74**	**264,97**
Non-monetary items included in pre-tax income and other adjustments	**2 284,36**	**2 186,14**
Net depreciation and impairment expense on fleet	1 921,16	1 870,69
Net depreciation and impairment expense on other tangible assets	16,70	15,82
Net amortisation and impairment on intangible assets	13,09	11,19
Risk provision net variation	16,62	24,20
Other provision net variation	28,48	(6,19)
Share of earnings of equity-method entities	(2,55)	1,21
Net (income) from investing activities	(0,01)	(0,07)
Other movements	290,87	269,29
Net increase (decrease) in cash related to assets and liabilities generated by operating activities	**(3 419,10)**	**(1 779,26)**
Net increase (decrease) in cash related to transactions with customers and credit institutions	(238,09)	457,32
Net increase (decrease) in cash related to transactions involving other financial assets and liabilities	(11,73)	0,10
Net increase (decrease) in cash related to acquisitions of leased fleet	(4 847,49)	(3 559,25)
Net increase (decrease) in cash related to sales of leased fleet	1 678,22	1 322,57
Net increase (decrease) in cash related to transactions involving other non-financial assets and liabilities		
Taxes paid	**(53,93)**	**(36,39)**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS GENERATED BY OPERATING ACTIVITIES	**(746,92)**	**635,46**
Net increase (decrease) in cash related to acquisitions and disposals of consolidated entities	(0,03)	
Tangible and intangible asset acquisitions	(33,81)	(52,17)
Tangible and intangible asset disposals	6,86	34,43
Equity method capital variation	(1,21)	(1,70)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS GENERATED TO INVESTING ACTIVITIES	**(28,19)**	**(19,45)**
Issue of ordinary and reference shares		
Share premium reimbursement		
Issue of bond and negotiable debt securities	1 289,86	
Dividend paid	(264,39)	(3,33)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS RELATED TO FINANCING ACTIVITIES	**1 025,47**	**(3,33)**
EFFECTS OF MOVEMENTS IN EXCHANGE RATES ON CASH AND EQUIVALENTS	**(1,15)**	**(1,16)**
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	**249,21**	**611,52**
Balance of cash and equivalent accounts at the start of the period	**420,27**	**130,48**
Cash and on demand deposits with credit institutions	443,04	249,11
Short term bank deposit	168,56	88,06
On demand loans from credit institutions	(191,33)	(206,69)
Balance of cash and equivalent accounts at the end of the period	**669,48**	**742,00**
Cash and on demand deposits with credit institutions	675,37	679,44
Short term bank deposit	141,30	223,26
On demand loans from credit institutions	(147,19)	(160,70)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	**249,21**	**611,52**

NOTES TO THE FINANCIAL STATEMENTS

These consolidated financial statements were authorized for issue by ARVAL Board of directors on September 8, 2021.

1. GENERAL INFORMATION AND STRATEGY

1.a General information

Arval was **founded in 1989 and is fully owned by BNP Paribas**. In the BNPP Group, Arval sits within Domestic Market as part of BNPP's Retail Banking & Services division. Arval is a direct subsidiary of BNPP Fortis Group (100% ownership).

ARVAL Services Lease (Parent company) is a French « Société Anonyme » and is part of BNP Paribas group. Its registered office is located at 22/24 Rue des Deux Gares – 92 500 Rueil-Malmaison

Arval group is a group offering full service vehicle leasing and new mobility services and with a direct presence in 30 countries. Arval group offers flexible solutions to make journeys seamless and sustainable for our customers, which range from large international corporate organisations to smaller companies and individual retail clients.
Arval group benefits from a diversified revenue and profit base composed of three principal components: the leasing contract margin, the services margin and the car sales result.

Under its primary product offering full service leasing, Arval group purchases vehicles with a view to leasing them to customers for a period generally of 36-48 months and earns a spread, or leasing contract margin, equal to the difference between, on the one hand, the leasing contract revenues it receives from customers, comprised of a component to reflect the expected depreciation of the leased vehicle and a component related to the interest for funding the vehicle over the lease period, and, on the other hand, the leasing contract costs, which are comprised of the costs for the expected depreciation of the leased vehicle and the costs of funds Arval group incurs to purchase the corresponding vehicles.
Arval group also generates profits, referred to as the services margin, through the wide range of services that it offers under both its full service leasing and fleet management products, such as maintenance and repairs, insurance, tyres and replacement vehicles.
Finally, Arval group generates profits or losses from the resale of its vehicles at the termination of a lease contract, referred to as the car sales result. Arval remarkets and sells used cars at the end of their lease term via several channels, including selling them to used car dealers, through auctions, directly to users of vehicles, and directly to external buyers through retail sites or through its online car sales platform dedicated to professionals, MotorTrade.

First half of 2021 highlights

Activity for first half of 2021

Arval achieved a good commercial performance in the first half of 2021 with a financed fleet of 1,416,777 vehicles as of June 30, 2021, representing a growth of 6.4% compared to June 30, 2020:

- The Corporate financed fleet reached 1,012,995 vehicles (+3.3%)
- The Retail segment reached 372,007 vehicles (+16.2%), including 116,693 vehicles on private lease

- The Mid-term Rental segment grew by 3.6%.

Vehicle orders met a good dynamic during this period despite the increase in delivery times for new vehicles, due to the semiconductor shortage (which also had the effect of slightly slowing fleet growth). Electrified vehicles represent 26% of deliveries over the period.

Disposals amounted to 171,102 vehicles, increasing of 58,742 vehicles compared to the same period last year (which was low due the impact of the first lockdowns).

Used car sale prices were at high levels during this six first months.

This high level of used vehicle prices, observed in almost all countries, is largely linked to the evolution of supply and demand in connection with longer delivery times on new vehicles.

The second-hand vehicle market benefited from continuous growth of demand due to:

- less dehires from our customers;
- lower availability of new vehicles (Semiconductor shortage)

General expenses are under control and the cost of risk is lower compared to the same period last year which took into account the impact of the Covid crisis.

Arval's net income amounted to EUR 334.6 million in first half 2021, up to 59.3 % compared to first half 2020.

Overall, the half year 2021 confirmed the quality of Arval business model thanks to its long term lease model and its good product, customer and geographical diversification.

ALM events

Arval made a successful first appearance in the capital markets with an inaugural €800m 3.5years Senior Unsecured transaction issued out of its EMTN Program.

In order to optimize its treasury management Arval group created in March 2021 its own treasury centre, CENT ASL.

COVID 19

In the COVID 19 context and as part of BNP Paribas Group, the ARVAL Group rigorously follow the directives of BNP Paribas Group and strictly apply the recommendations of the competent authorities in each of the markets where we operate.

The vast majority of our team members are able to work from home in a full digital environment. We have ensured the continuity of communications using various Digital tools.

Previous to the COVID 19 crisis, ARVAL Group put in place a full Digital working program fully supported by the infrastructure of BNP Paribas.

Our teams are totally mobilised towards our customers and partners, whilst protecting our own teams' health as well in these challenging times.

ARVAL group is still managing the COVID 19 situation by adapting its organisation in order to serve in the best way their customers in the respect of the competent authority instructions.

1.b STRATEGY

Competitive Strengths and strategy

In 2020, a new objectives plan "ARVAL BEYOND" has been launched to target the new objectives for the years 2020-2025.

- Arval's growth: 2 million leased cars;

- Arval's ambitions in CSR & Energy Transition: 500,000 electrified vehicles in its fleet, 30% reduction in CO_2 emissions vs. 2020, and Arval remaining a carbon neutral company;

- A change in Arval's business model, from car leasing to a wider mobility concept including the car: 100% of Arval countries will offer sustainable mobility solutions to their clients.

Among the initiatives developed to achieve these objectives, four new propositions have been created to address the demand for new sustainable mobility solutions, including the car:

- 360° Mobility: 360° Mobility transforms Arval from a car-centric company into a mobility company. It ensures Arval provides all its corporate clients and their employees, in all its geographies, with the sustainable and state-of-the-art mobility options they need, such as e-bike leasing, car sharing and micro-mobility solutions, mobility-as-a-service applications, etc. In 2025, 100% of Arval countries will offer alternative and sustainable mobility products or services.

- Good for you, good for all: Arval aims to become a key leader in energy transition and sustainability by helping customers to protect the environment and create safer roads. With its integrated EV offers, Arval lifts the constraints sometimes associated with EVs and facilitates their adoption (leasing of an EV combined with an e-bike, possibility to switch to a combustion engine for several weeks per year, vehicle to grid option, etc.). With Good for you, good for all, Arval will have 500,000 electrified vehicles on the road in 2025, as well as registering a 30% reduction in its fleet's average CO_2 emissions, and a 10% decrease in its overall accident rate.

- Connected & Flexible: Arval is building a simpler and highly connected leasing offer. Based on a combination of new technologies and services, it will enable drivers to enter a new era of mobility with a much simpler driving experience. With Connected & Flexible, Arval will offer new services such as automatic payment of street parking, remote booking of car washes, in-car delivery of packages that do not require the driver's presence, voice assistant services (to find a garage or gas station, request assistance), etc. By 2025, more than 80% of Arval's fleet will be connected and will offer a wider set of services to make the driver's life easier.

- Arval Inside: Since the creation of Arval in 1989, partnerships have been part of its DNA, starting with banks and car manufacturers, and now extending to other stakeholders. Arval Inside is a mind-set: it's about sharing Arval's strongest areas of expertise with selected partners, to jointly build enriched and innovative mobility offers that perfectly fit the needs of clients in a win-win collaboration. In 2025, 100% of Arval countries will have signed successful partnerships with international or strong local players.

1.c Risk management

1.c.1 Asset risk

Arval is exposed to asset risk, which can be split into two main underlying risk components: the residual value risk and the risk related to service maintenance.

Residual value risk

The residual value, defined as the value of the vehicle at the end of the lease as estimated by Arval at inception of the lease, may differ from the future market value of the car at the end of the contract. This difference is a part of the global risk on used car sales and is managed through robust internal procedures applied to all Arval subsidiaries in order to set, control and reevaluate the residual values on the running fleet.
In accordance with International Accounting Standards (IAS) calculations, the valuation of the financial disposal result is done contract by contract and spread over contract lifetime; as such, contract is, on a monthly basis, appreciated or depreciated to a residual value giving a better economical view derived from the current state of the used-car market and the time horizon when the vehicles will be sold.

Risk related to services maintenance and tyres

The maintenance risk is the risk that the actual costs of maintenance incurred during the contract life are greater than the costs forecasted and included in the quotation at the beginning of the contract.
Maintenance pricing setting is done locally using local historical statistics, under the supervision of Arval Finance department (central teams). A global review of the maintenance margins is done for each country on a regular basis in order to back test the pricing assumptions in terms of costs and frequencies and to make the necessary adjustments if maintenance and tyre costs are higher in the latter part than in the first part of a contract's life.

1.c.2 Treasury risk

Treasury risk entails 3 types of risks: interest rate risk, foreign exchange risk and liquidity risk.

- Interest rate risk is the risk that the profitability of Arval is affected by movements in interest rates.
- Foreign exchange risk is the risk that the profitability is affected by currency fluctuations.
- Liquidity risk is the risk that Arval is not able to meet its cash flow obligations when they fall due, because of a mismatch between the financing of its assets and liabilities.

ALM Treasury risk management policy consists in matching assets and liabilities in terms of maturities, currencies, and interest rate exposure. Arval procedures defining the sensitivity measurement of such risks and tolerance levels are applied across the group to allow a close monitoring of the treasury risk. These risks are monitored at corporate level by the ALM Treasury, which reports on a quarterly basis to the management team of Arval during a dedicated committee. This committee is informed about all relevant developments with regard to the Arval's treasury risk profile and decides any action to mitigate the risks when necessary.

Interest and exchange rate risk

Arval policy consists in financing the underlying assets with a perfect interest rate matching: Fixed rates for operating lease contracts indexed on fixed rates and floating rates for operating lease contracts indexed on floating rates. Rate loans as lease contracts are mostly priced at fixed rates. Structural interest rate risk arises from the residual gap (surplus or deficit) in each entity's fixed-rate forecasted position. To this end, any residual interest rate risk exposure must comply with the sensitivity limits set for each entity.
The Arval ALM Treasury monitors the interest rate risks exposure and advises subsidiaries to implement adequate adjustments. A monthly or quarterly report (depending on the subsidiaries) measuring the interest risk exposure is produced by each entity to be reviewed and consolidated by the Arval ALM Treasury department.
The global risk exposure measurement is discussed by the ALCO members on a quarterly basis.
To summarize, there is a close follow up of the interest rate risk exposure by subsidiaries and the supervision of asset and liability monitoring performed at corporate level.

Foreign exchange risks management

Arval is present in countries outside the Euro zone and is therefore exposed to foreign exchange risks related to inflows and outflows of cash from daily business activities as well as participations in subsidiaries outside the Euro zone.

Arval policy mainly consists of financing the underlying asset in the same currency as the corresponding lease contract.

Liquidity risks

Arval is exposed to liquidity risk which is the risk of not being able to meet cash flow requirements when they fall due and at a reasonable price. A structural liquidity position is defined as resulting from the maturities of all balance sheet or off balance sheet outstanding positions according to their liquidity profile.
Arval's exposure to liquidity risks is limited as the group policy consists in financing the underlying asset over the same duration as the corresponding lease contract. A potential residual liquidity gap is measured on a monthly basis, under the supervision of Arval ALM Treasury department, by assessing the matching of the run off of the existing leased assets with the remaining liabilities.

The liquidity position measured is then reviewed and consolidated at a group level. Any deviation from the sensitivity threshold is corrected under the supervision of the Arval ALM Treasury.

1.c.3 CREDIT RISK

The credit risk is the risk of possible losses arising from the inability of the Arval's customers to meet their financial commitments. Credit risk includes the counterparty risk. In addition, credit risk may be further amplified by concentration risk, which arises from a large exposure to a given risk, to one or a few counterparties.

Credit risk management policy

Credit risk is the risk that a customer is not able to fulfil its financial obligations towards Arval. All Arval entities have to comply with risk policies and procedures issued centrally which define the way credit requests have to be studied and validated, as well as the roles and responsibilities of all staff involved in the credit vetting process. Each subsidiary has a specific credit authority approved by Arval General Management and RISK Arval, and determined according to the subsidiary's size of the fleet, the maturity of the subsidiary and the type of customer concerned (corporate, retail). Within its credit delegation (while respecting all policies and special rules), each subsidiary can decide directly on its counterparty risk. Above this threshold, credit decision is made at central level.

Regular risk committees are held by Arval both at local and central level in order to review all potential risk issues and to ensure the credit risk procedures are properly applied. All standard risk indicators (arrears / default / cost of risk) are also monitored both locally and centrally. All Arval entities are applying the same or similar process locally.

The primary responsibility for debt collection remains under the direct responsibility of Arval's entities with dedicated teams in charge of recovering unpaid invoices in compliance with local regulations and market practices.

Impairment charges on receivables (cost of risk) has historically remained low due to the nature of the products proposed by Arval, a strict control of the risk assessment process and a very diversified customer portfolio.

Derivative financial instruments

In addition to its natural exposure to credit risk in the leasing of vehicles, Arval is also potentially exposed to credit risk because of its use of derivative financial instruments, but with very limited risk as Arval only have currency hedging in few countries (Turkey, Romania, Brazil, Peru).

1.c.4 OPERATIONAL RISK

Arval aims at protecting its customers, its staff and its shareholders from operational risk either by avoidance, mitigation or transfer. It strives to contain operational risk to acceptable levels. Arval develops a comprehensive risk and control management framework covering risk awareness and culture, risk identification and anticipation, risk mitigation techniques, risk monitoring and governance.
In addition to the general principles governing operational risk, Arval considers that four specific risk areas are particularly significant with regard to its activities: Risks emerging from its own leasing operations, Frauds, IT Security and Third party risk.

1.c.5 COMPLIANCE RISK

Arval endeavours to comply with all applicable laws and regulations and to have strong working relationships with the regulatory authorities responsible for implementation of legal and regulatory requirements.
Beyond compliance with laws and regulations, Arval also strives to protect its reputation, that of its shareholder and that of its customers, to ensure ethical professional behaviour, to prevent conflicts of interest, protect customers' interests and market integrity, fight against money laundering, bribery and the financing of terrorist activities, as well as ensure compliance with sanctions and embargoes. Arval is fully applying BNPP Group's Code of Conduct which embodies these rules and serves to protect the Group's reputation.

1.c.6 CONDUCT RISK

Arval considers as a top priority the long-term relationships and partnerships built with the customers, employees, shareholders and communities in countries in which it operates. In pursuit of this objective Arval is committed to i) acting in a way that protects customers' interests in compliance with all relevant laws, ii) complying with all applicable laws for preventing criminal and terrorist activities and with sanctions and embargoes, iii) upholding and protecting the integrity of markets, iv) ensuring that a consistent high standard of individual integrity and professional ethics is maintained by all employees, v) ensuring that all employees apply best standards in professional behaviour, vi) protecting and upholding its long-term viability for its own sake and that of its shareholders and of the wider economy and vii) having a positive impact on the stakeholders and on the wider society.
Arval ensures that these principles and the highest ethical standards are applied by its employees in their activities. They are embodied in the Group's Code of Conduct which is applicable to all Group employees. It encompasses the Group's Values and Mission and a set of Conduct rules with the objective of driving the behaviours of all Group employees.

1.c.7 INSURANCE RISK

ARVAL Group retains some motor third-party liability risks (mainly TPL, material damages & driver cover) within its own reinsurance company, GREENVAL INSURANCE DAC (Greenval). Greenval is based in Ireland, acting in Freedom of Service across European countries and is regulated by the Central Bank of Ireland. In order to minimize the financial impact of a single event, Greenval buys cover from different reinsurance companies for TPL & Catastrophic risks (CatNat) over a certain threshold of risk that could vary depending of the country and fleet size.

This reinsurance strategy is reviewed annually. Greenval strictly monitors its risk universe, including underwriting, market, credit and operational risk, via a strong corporate governance structure, a clearly defined risk appetite and a developed risk monitoring process.

In addition, every year, an external independent actuary body must opine on whether the level of technical reserves held by Greenval are considered adequate to meet its future obligations as determined by that independent actuary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLIED BY ARVAL GROUP

2.a ACCOUNTING STANDARDS

2.a.1 APPLICABLE ACCOUNTING STANDARDS

The coronavirus outbreak characterised by the World Health Organisation as a pandemic on 11 March 2020 as well as measures introduced by governments and regulators to tackle the outbreak have affected the global supply chain as well as demand for goods and services and therefore had a significant impact on the global growth. At the same time, fiscal and monetary policies have been eased to sustain the economy.

The consolidated financial statements of Arval group have been prepared on a going concern basis.

The consolidated financial statements Arval group have been prepared in accordance with international accounting standards (International Financial Reporting Standards – IFRS), as adopted for use in the European Union. The content of these financial statements has been determined in accordance with the provisions of IAS 34 relating to condensed interim financial information. The accounting principles used for the preparation of the half-year consolidated financial statements at June 30, 2021 are identical to those used for the year ended December 31, 2020.

- Since 1 January 2019, Arval group applies IFRS 16 « Leases », adopted by the European Union on 31 October 2017.

  The IFRS Interpretation Committee has been requested with a question concerning the determination of a lease term of two types of contracts cancellable or renewable:

  - Contracts without no particular contractual term, cancellable at any time with notice period by either the lessee and the lessor without penalty to paid
  - Contracts concluded for an initial short period (normally 12 months), renewable indefinitely by tacit renewal for the same period, unless the lessor and the lessee gives notice to the contrary;

  At the end of its meeting of 26 November 2019 last, IFRIC confirmed its reading of IFRS 16 by stating that the enforceability of the two types of contract may extend beyond the notice period if either party has an economic incentive not negligible to not terminate the lease. IFRIC also confirmed that if an entity expects to use non-removable leasehold improvement after the date on which the contract can be terminated, the existence of such improvements indicates that the entity may incur a significant economic penalty in the event of termination and in this case the contract becomes enforceable beyond the date of termination. There is not impact of this interpretation for Arval group.

Arval group did not anticipate the application of the new standards, amendments, and interpretations adopted by the European Union, when the application in 2021 was optional.

2.a.2 NEW MAJOR ACCOUNTING STANDARDS, PUBLISHED BUT NOT YET APPLICABLE

IFRS 17 "Insurance Contracts", issued in May 2017, will replace IFRS 4 "Insurance Contracts" and will become mandatory for annual periods beginning on or after 1 January 2023, after its adoption by the European Union for application in Europe.

The analysis of the standard and the identification of its effects are going on. Arval group is impacted by this standard as it acquires end of 2020, Greenval Insurance DAC, which is an insurance entity.

2.b CONSOLIDATION

2.b.1 SCOPE OF CONSOLIDATION

The consolidated financial statements of Arval include entities that are controlled, jointly controlled, and under significant influence, with the exception of those entities whose consolidation is regarded as immaterial to Arval group. Companies that hold shares in consolidated companies are also consolidated.

Subsidiaries are consolidated from the date on which Arval group obtains effective control. Entities under temporary control are included in the consolidated financial statements until the date of disposal.

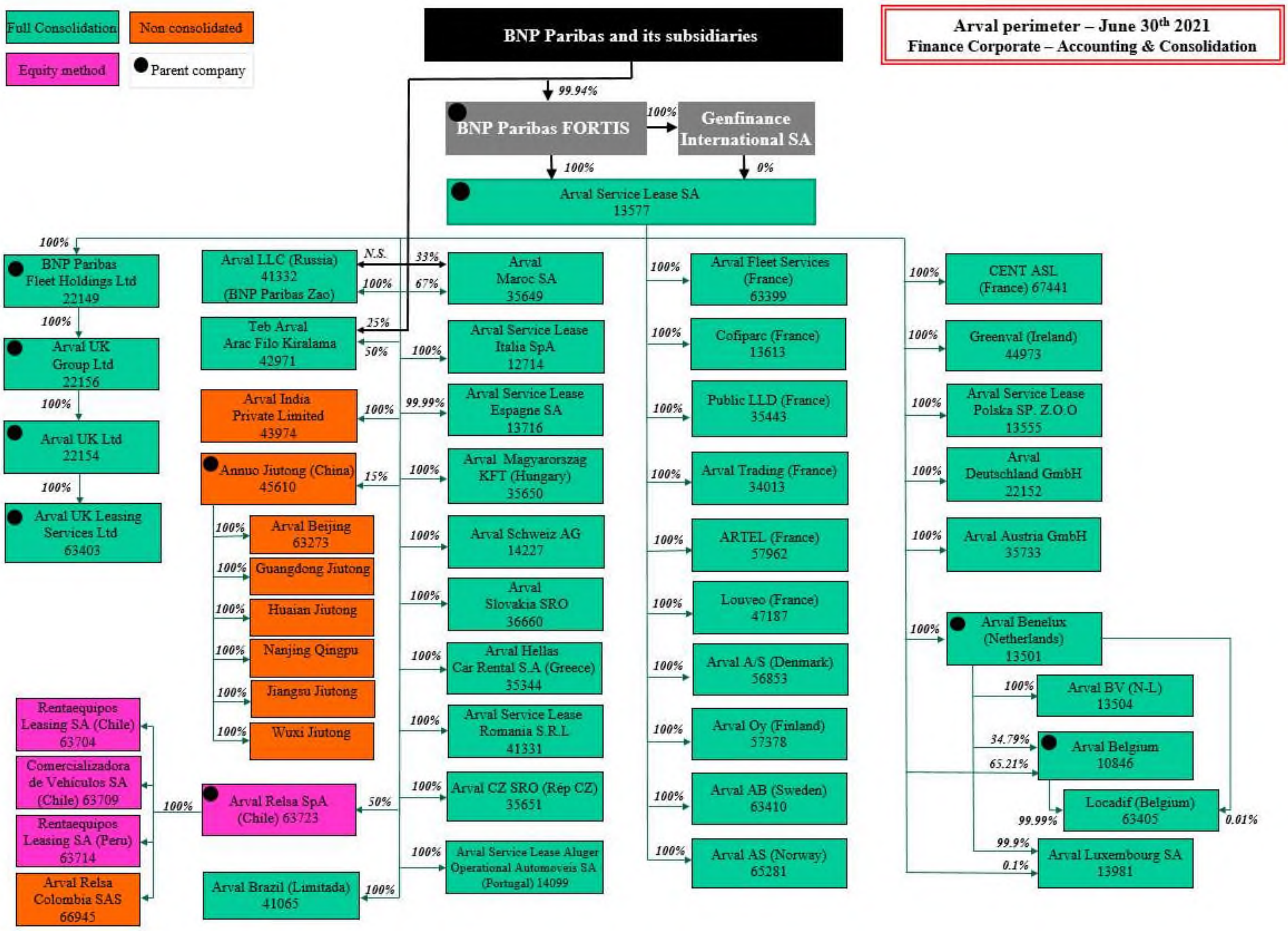
Full scope of consolidation is presented in note 7c.

For first half of 2021, variation Perimeter changes are:

During the first half of 2021, the modifications occurred within the perimeter were:

- ARVAL India is no more integrated within the consolidation perimeter (for non-materiality reason);
- Merger of Arval Fuhrparkmanagement GmbH acquired in 2020 within Arval Austria GmbH;
- Creation of CENT ASL (the Arval treasury center).

Arval group chart – June 30, 2021



2.b.2 CONSOLIDATION METHODS

Exclusive control

Controlled enterprises are fully consolidated. Arval group controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For entities governed by voting rights, Arval group generally controls the entity if it holds, directly or indirectly, the majority of the voting rights (and if there are no contractual provisions that alter the power of these voting rights) or if the power to direct the relevant activities of the entity is conferred on it by contractual agreements. Arval group does not own structured entities.

In assessing whether it has power, Arval group considers only substantive rights which it holds or which are held by third parties. For a right to be substantive, the holder must have the practical ability to exercise that right when decisions about the relevant activities of the entity need to be made.

Control shall be reassessed if facts and circumstances indicate that there are changes to one or more of the elements of control.

Minority interests are presented separately in the consolidated profit and loss account and balance sheet within consolidated equity. The calculation of minority interests takes into account the outstanding cumulative preferred shares classified as equity instruments issued by subsidiaries, when such shares are held outside the group.

For transactions resulting in a loss of control, any equity interest retained by Arval group is remeasured at its fair value through profit or loss.

Joint control

Where Arval group carries out an activity with one or more partners, sharing control by virtue of a contractual agreement which requires unanimous consent on relevant activities (those that significantly affect the entity's returns), Arval group exercises joint control over the activity. Where the jointly controlled activity is structured through a separate vehicle in which the partners have rights to the net assets, this joint venture is accounted for using the equity method. Where the jointly controlled activity is not structured through a separate vehicle or where the partners have rights to the assets and obligations for the liabilities of the jointly controlled activity, Arval group should accounts for its share of the assets, liabilities, revenues and expenses in accordance with the applicable IFRSs. There is no such entity in Arval group.

Significant influence

Companies over which Arval group exercises significant influence or associates are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of a company without exercising control. Significant influence is presumed to exist when Arval group holds, directly or indirectly, 20% or more of the voting rights of a company. Interests of less than 20% can be included in the consolidation scope if Arval group effectively exercises significant influence. This is the case for example for entities developed in partnership with other associates, where Arval group participates in strategic decisions of the enterprise through representation on the Board of Directors or equivalent governing body, or exercises influence over the enterprise's operational management by supplying management systems or senior managers, or provides technical assistance to support the enterprise's development.

Whenever there is an indication of impairment, the carrying amount of the investment consolidated under the equity method (including goodwill) is subjected to an impairment test, by comparing its recoverable value (the higher of value-in-use and market value less costs to sell) to its carrying amount. Where appropriate, impairment is recognised under "Share of earnings of equity-method entities" in the consolidated income statement and can be reversed at a later date.

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events occurring in similar circumstances.

2.b.3 CONSOLIDATION RULES

- **Elimination of intragroup balances and transactions**

Intragroup balances arising from transactions between consolidated enterprises, and the transactions themselves (including income, expenses and dividends), are eliminated. Profits and losses arising from intragroup sales of assets are eliminated, except where there is an indication that the asset sold is impaired. Unrealised gains and losses included in the value of financial instruments at fair value through equity and available-for-sale assets are maintained in the consolidated financial statements.

- **Translation of accounts expressed in foreign currencies**

The consolidated financial statements of Arval are prepared in euros.

The financial statements of enterprises whose functional currency is not the euro are translated using the closing rate method. Under this method, all assets and liabilities, both monetary and non-monetary, are translated using the spot exchange rate at the balance sheet date. Income and expense items are translated at the average rate for the period.

The same method is applied to the financial statements of enterprises located in hyperinflationary economies, after adjusting for the effects of inflation by applying a general price index.

Differences arising from the translation of balance sheet items and profit and loss items are recorded in shareholders' equity under «Exchange differences», and in "Minority interests" for the portion attributable to outside investors.

On liquidation or disposal of some or all of an interest held in a foreign enterprise located outside the euro zone, leading to a change in the nature of the investment (loss of control, loss of significant influence or loss of joint control without keeping a significant influence), the cumulative exchange difference at the date of liquidation or sale, determined according to the step method, is recognised in the profit and loss account.

Should the percentage of interest change without leading to a modification in the nature of the investment, the exchange difference is reallocated between the portion attributable to shareholders and that attributable to minority interests if the entity is fully consolidated; if the entity is consolidated under the equity method, it is recorded in profit or loss for the portion related to the interest sold.

2.c TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

The methods used to account for assets and liabilities relating to foreign currency transactions entered into by Arval group, and to measure the foreign exchange risk arising on such transactions, depend on whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities expressed in foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into the functional currency of the relevant Arval group entity at the closing rate. Foreign exchange differences are recognised in the profit and loss account, except for those arising from financial instruments designated as a cash flow hedge or a net foreign investment hedge, which are recognised in shareholders' equity.

Non-monetary assets and liabilities expressed in foreign currencies

Non-monetary assets may be measured either at historical cost or at fair value. Non-monetary assets expressed in foreign currencies are translated using the exchange rate at the date of the transaction (i.e. date of initial recognition of the non-monetary asset) if they are measured at historical cost, and at the closing rate if they are measured at fair value.

Foreign exchange differences relating to non-monetary assets denominated in foreign currencies and recognised at fair value (equity instruments) are recognised in profit or loss when the asset is classified in "Financial assets at fair value through profit or loss" and in equity when the asset is classified under "Financial assets at fair value through equity".

Exchanges rates (vs Euros):

Currency code	Country	30 June 2021 Half year end	30 June 2021 Average	31 December 2020 Year end	31 December 2020 Average
BRL	Brazil	5,903	6,490	6,322	5,892
CHF	Sw itzerland	1,097	1,094	1,082	1,071
CLP	Chile	870,089	867,646	869,083	902,613
CZK	Czech Republic	25,495	25,855	26,252	26,465
DKK	Denmark	7,436	7,437	7,442	7,454
EUR	Euro	1,000	1,000	1,000	1,000
GBP	United Kingdom	0,858	0,868	0,893	0,889
HUF	Hungary	351,388	357,918	363,040	351,260
INR	India	88,051	88,361	89,227	84,604
MAD	Morocco	10,588	10,743	10,912	10,815
NOK	Norw ay	10,215	10,174	10,484	10,728
PEN	Peru	4,580	4,494	4,418	3,994
PLN	Poland	4,518	4,538	4,568	4,445
RUB	Russia	86,701	89,533	90,467	82,685
RON	Romania	4,927	4,902	4,868	4,838
SEK	Sw eden	10,146	10,129	10,036	10,484
TRY	Turkey	10,287	9,522	9,070	8,043

2.d BUSINESS COMBINATION AND GOODWILL

- **Business combination**

Business combinations are accounted for using the purchase method.

Under this method, the acquiree's identifiable assets and liabilities assumed are measured at fair value at the acquisition date except for non-current assets classified as assets held for sale which are accounted for at fair value less costs to sell.

The acquiree's contingent liabilities are not recognised in the consolidated balance sheet unless they represent a present obligation on the acquisition date and their fair value can be measured reliably.

The cost of a business combination is the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued to obtain control of the acquiree. Costs directly attributable to the business combination are treated as a separate transaction and recognised through profit or loss.

Any contingent consideration is included in the cost, as soon as control is obtained, at fair value on the date when control was acquired. Subsequent changes in the value of any contingent consideration recognised as a financial liability are recognised through profit or loss.

Arval group may recognise any adjustments to the provisional accounting within 12 months of the acquisition date.

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the net fair value of the identifiable assets and liabilities of the acquiree at the acquisition date. Positive goodwill is recognised in the acquirer's balance sheet, while negative goodwill is recognised immediately in profit or loss, on the acquisition date. Minority interests are measured at their share of the fair value of the acquiree's identifiable assets and liabilities. However, for each business combination, Arval group can elect to measure minority interests at fair value, in which case a proportion of goodwill is allocated to them. To date, Arval group has never used this latter option.

Goodwill is recognised in the functional currency of the acquiree and translated at the closing exchange rate.

On the acquisition date, any previously held equity interest in the acquiree is remeasured at its fair value through profit or loss. In the case of a step acquisition, the goodwill is therefore determined by reference to the acquisition-date fair value.

Arval group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. Measurement of goodwill is described in note 5.a

2.e RENTAL FLEET

Since 1st January 2019, IFRS 16 supersedes IAS 17 « Leases » and the interpretations relating to the accounting of such contracts.

From the lessor's point of view, the IFRS 16 impact is limited, as the requirements remain mostly unchanged from IAS 17.
A lease classification is done taking into consideration the substance of the transaction and the specific details of each contract. The transfer of the risks and rewards incidental to ownership is the key factor allowing to determine if a contract is a Finance Lease or an Operating Lease one. Almost all of the Arval contracts do not transfer the risks and rewards incidental to ownership and thus, are operating lease contracts.
Operating leases booked in the rental fleet are measured at cost less accumulated depreciation and impairment losses. Costs consists of the purchase price and directly attributable costs. The leased assets are depreciated on a straight line basis over their contract period to their residual value. There are no financial lease contracts in Arval group

According to IAS 16 principles:

The depreciation policy used shall reflect the entity's pattern of consumption of the future economic benefits;

The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

So in respect with the IAS 16 recommendation, in order to calculate the ARVAL rental fleet amortisation:

- residual value and the useful life of the leased assets are reviewed each month;
- for contracts which have a remaining duration less than 36 months, if expectations differ from previous estimation, the changes are accounted prospectively as a change in accounting estimate.

Rental fleet impairment is described in note 5.c.

2.f REVENUES

The lease incomes are taken to the profit and loss account in full on a straight-line basis over the lease term. They are taken to the profit and loss account under "Lease contract revenues" whereas depreciation expenses are under "Lease contract costs depreciation".

Other income linked to the lease are recorded based on standard IFRS15 “revenue from contract with customers” which sets out the requirements for recognising revenue that apply to all contracts with customers. The amounts are recorded under the aggregate lease services margin.

Henceforth, to recognise revenue, the following five steps have to be applied:

- identification of the contract with the customer,
- identification of the performance obligations in the contract,
- determination of the transaction price,
- allocation of the transaction price to each performance obligation,
- revenue recognition when a performance obligation is satisfied.

Since the implementation of this standard, timing of recognition of revenues derived from maintenance and tyres services, previously recognized on a linear basis, is now recognized to the extent of the costs incurred. In order to apply it, a deferred income is therefore, booked in the maintenance and tyres revenue accounts.

2.g PROPERTY, PLANT, OTHER EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment and intangible assets shown in the consolidated balance sheet are composed of assets used in operations and investment property. Rights-of-use related to leased assets are presented by the lessee within fixed assets in the same category as similar assets held.

Assets used in operations are those used in the provision of services or for administrative purposes.

Property, plant and equipment and intangible assets are initially recognised at purchase price plus directly attributable costs, or adaptation is required before the asset can be brought into service.

Software developed internally by Arval group that fulfils the criteria for capitalisation is capitalised at direct development cost, which includes external costs and the labour costs of employees directly attributable to the project.

Subsequent to initial recognition, property, plant and equipment and intangible assets are measured at cost less accumulated depreciation or amortisation and any impairment losses.

The depreciable amount of property, plant and equipment and intangible assets is calculated after deducting the residual value of the asset. Those fixed asset are presumed to have a null residual value, as the useful life of property, plant and equipment and intangible assets used in operations is generally the same as their economic life.

Property, plant and equipment and intangible assets are depreciated or amortised using the straight-line method over the useful life of the asset. Depreciation and amortisation expense is recognised in the profit and loss account under “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Software is amortised, depending on its type, over periods of no more than 8 years in the case of infrastructure developments and 3 years or 5 years in the case of software developed primarily for the purpose of providing services to customers.

Depreciable property, plant and equipment and intangible assets are tested for impairment if there is an indication of potential impairment at the balance sheet date. Non-depreciable assets are tested for impairment at least annually, using the same method as for goodwill allocated to cash-generating units.

If there is an indication of impairment, the new recoverable amount of the asset is compared with the carrying amount. If the asset is found to be impaired, an impairment loss is recognised in the profit and loss account. This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment. Impairment losses are taken to the profit and loss account in “Depreciation, amortisation and impairment of property, plant and equipment and intangible assets”.

Gains and losses on disposals of property, plant and equipment and intangible assets used in operations are recognised in the profit and loss account in “Other incomes and other expenses”.

The main depreciation rules are the following:

Items	Duration (years)	Method
Buildings	20 - 40	Linear
Improvements and installations	3-12	Linear
IT hardware	3- 5	Linear
Vehicles (company cars)	3- 4	Linear
Other equipments	3-12	Linear

Some assets are leased by Arval group. Lease contracts concluded by Arval group, with the exception of contracts whose term is shorter than or equal to 12 months and low-value contracts, are recognized in the balance-sheet in the form of a right-of-use on the leased asset presented under fixed assets, along with the recognition of a financial liability for the rent and other payments to be made over the leasing period. The right of use assets is amortised on a straight-line basis and the financial liabilities are amortised on an actuarial basis over the lease period. Dismantling costs corresponding to specific and significant fittings and fixtures are included in the initial right-of-use estimation, in counterparty of a provision liability.

The key hypothesis used by the Arval group for the measurement of rights of use and lease liabilities are the following:

- The lease term corresponds to the non-cancellable period of the contract, together with periods covered by an extension option if Arval group is reasonably certain to exercise this option. In France, the standard commercial lease contract is the so-called “three, six, nine” contract for which the maximum period of use is nine years, with a first non-cancellable period of three years followed by two optional extension periods of three years each; hence, depending on the assessment, the lease term can be of three, six or nine years. When investments like fittings or fixtures are performed under the contract, the lease term is aligned with their useful life. For tacitly renewable contracts, with or without an enforceable period, related right of use and lease liabilities are recognised based on an estimate of the reasonably foreseeable economic life of the contracts, minimal occupation period included.
- The discount rate used to measure the right of use and the lease liability is assessed for each contract as the interest rate implicit in the lease, if that rate can be readily determined, or more generally based on the incremental borrowing rate of the lessee at the date of signature. The incremental borrowing rate is determined considering the average term (duration) of the contract.
- When the contract is modified, a new assessment of the lease liability is made taking into account the new residual term of the contract, and therefore a new assessment of the right of use and the lease liability is established.

2.h HEDGE ACCOUNTING

Cash flow hedge

A cash flow hedge is defined as a hedge of the exposure to variability in cash flows of the hedged item attributable to a recognized asset or liability or a highly probable forecast transaction.

The highly probable nature of a forecast transaction is assessed based on observable criteria: existence and frequency of similar transactions in the past, the entity's financial and operational ability to carry out this type of transaction, business plan, negative consequences in the event the transaction is not carried out, or expected date for the transaction's realization. Any ineffectiveness resulting from these cash flow hedges is recognised in the statement of profit or loss when incurred.

Fair value hedge

The fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

It can involve micro-hedging in the case of identified assets and liabilities (sole element or homogenous group) as well as macro-hedging in the case of a portfolio of assets or liabilities (still called "macro-hedge" or "carved-out fair value hedge").

This revaluation is booked in the statement of profit or loss, where it offsets the measurement of the fair value change of the hedging instrument that is also recorded in the statement of profit or loss.

2.i EMPLOYEE BENEFITS

Employee benefits are classified in one of four categories:

- **Short-term benefits**, such as salary, annual leave, incentive plans, profit-sharing and additional payments: Arval group recognises an expense when it has used services rendered by employees in exchange for employee benefits.

- **Long-term benefits**, including compensated absences, long-service awards, and other types of cash-based deferred compensation:

These are benefits, other than short-term benefits, post-employment benefits and termination benefits. This relates, in particular, to compensation deferred for more than 12 months and not linked to the BNP Paribas share price, which is accrued in the financial statements for the period in which it is earned.

The actuarial techniques used are similar to those used for defined-benefit post-employment benefits, except that the revaluation items are recognised in the profit and loss account and not in equity.

- **Termination benefits**: Termination benefits are employee benefits payable in exchange for the termination of an employee's contract as a result of either a decision by the entity of Arval group to terminate a contract of employment before the legal retirement age, or a decision by an employee to accept voluntary redundancy in exchange for these benefits. Termination benefits due more than 12 months after the balance sheet date are discounted.

- **Post-employment benefits**, including top-up banking industry pensions and retirement bonuses in France and pension plans in other countries, some of which are operated through pension funds. In accordance with IFRS, the Arval Group draws a distinction between defined-contribution plans and defined-benefit plans.

Defined-contribution plans do not give rise to an obligation for Arval group and do not require a provision. The amount of the employer's contributions payable during the period is recognised as an expense.

Only defined-benefit schemes give rise to an obligation for Arval group. This obligation must be measured and recognised as a liability by means of a provision.

The classification of plans into these two categories is based on the economic substance of the plan, which is reviewed to determine whether Arval group has a legal or constructive obligation to pay the agreed benefits to employees.

Post-employment benefit obligations under defined-benefit plans are measured using actuarial techniques that take demographic and financial assumptions into account.

The net liability recognised with respect to post-employment benefit plans is the difference between the present value of the defined-benefit obligation and the fair value of any plan assets.

The present value of the defined-benefit obligation is measured on the basis of the actuarial assumptions applied by Arval group. This method takes into account various parameters, specific to each country or Arval group entity, such as demographic assumptions, the probability that employees will leave before retirement age, salary inflation, a discount rate, and the general inflation rate.

When the value of the plan assets exceeds the amount of the obligation, an asset is recognised if it represents a future economic benefit for Arval group in the form of a reduction in future contributions or a future partial refund of amounts paid into the plan.

The annual expense recognised in the profit and loss account under "Salaries and employee benefits", with respect to defined-benefit plans includes the current service cost (the rights vested by each employee during the period in return for service rendered), the net interests linked to the effect of discounting the net defined-benefit liability (asset), the past service cost arising from plan amendments or curtailments, and the effect of any plan settlements.

Remeasurements of the net defined-benefit liability (asset) are recognised in shareholders' equity and are never reclassified to profit or loss. They include actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling (excluding amounts included in net interest on the defined-benefit liability or asset).

2.j ACCOUNTING STANDARD SPECIFIC TO INSURANCE ACTIVITY

This note concerns exclusively Greenval which has been acquired in December 2020.

The specific accounting policies relating to assets and liabilities generated by insurance contracts and financial contracts with a discretionary participation feature written by fully consolidated insurance companies are retained for the purposes of the consolidated financial statements. These policies comply with IFRS 4.

The amendment to IFRS 4 "Insurance Contracts" published by the IASB on 25 June 2020 provides the option for entities that predominantly undertake insurance activities to defer the effective date of IFRS 9 application until 1 January 2023 in line with the deferral of the mandatory application date of IFRS 17 "Insurance Contracts".

The effect of such a deferral is that those entities may continue to report their financial statements under the existing standard IAS 39.

Investments in financial instruments for insurance activities

Investments of insurance activities mainly include Greenval investments in financial instruments that are recognised in accordance with the principles of IAS 39, which include investments representing technical reserves of insurance activities.

Financial investments held by the group's insurance entities are classified in one of the four categories provided for in IAS 39: Financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

All the financial instruments of Greenval are classified in the category “Available-for-sale financial assets” under the heading “Other non-current financial assets”. It includes debt or equity securities that do not fall within the 3 other categories.

Assets included in the available-for-sale category are initially recorded at fair value, plus transaction costs where material. At the end of the reporting period, they are valued at their fair value and the changes in the latter, excluding accrued income, are presented under a specific heading of equity. On disposal of the securities, these unrealised gains or losses previously recognised in equity are reclassified in the income statement under the heading “other income and other expense”.

Technical reserves for insurance

The item “Technical reserves” includes:

- Commitments to policyholders and beneficiaries of contracts, which include technical reserves for insurance contracts subject to significant insurance hazard (mortality, longevity, disability, incapacity...) and technical liabilities of investment contracts with a discretionary profit-sharing feature, falling within IFRS 4.
- Other insurance liabilities related to unit-linked contracts that fall within the scope of IAS 39 (i.e. investment contracts with no discretionary participating features);

Technical reserve for insurance are classified under the heading “Provisions” in the part of the non current liabilities.

Non-life technical reserves consist of unearned premium reserves (corresponding to the portion of written premiums relating to future periods) and outstanding claims reserves, inclusive of claims handling costs.

2.k CASHFLOW STATEMENT

The cash and cash equivalents balance is composed of the net balance of cash accounts and the net balance of interbank demand loans and deposits.

Cash and cash equivalents movements related to operating activities reflect cash flows generated by the Arval group’s operations, including those relating to financial investments of insurance activities.

Cash and cash equivalents movements related to investing activities reflect cash flows resulting from acquisitions and disposals of subsidiaries, associates or joint ventures included in the consolidated group, as well as acquisitions and disposals of property, plant and equipment excluding investment fleet purposes.

Cash and cash equivalents movements related to financing activities reflect the cash inflows and outflows resulting from transactions with shareholders, cash flows related to subordinated debt.

2.1 USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The breakdown between current and non-current items has been performed based on the best estimation known at the date of the establishment of the consolidated accounts by using, in certain cases, the average maturity of the rental fleet.

The preparation of the financial statements requires experts to make assumptions and estimates that are reflected in the measurement of income and expense in the profit and loss account and of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. This requires the experts in question to exercise their judgement and to make use of information available at the date of the preparation of the financial statements when making their estimates.

This applies in particular to:

- the assumptions applied to assess the value of the market value of vehicles on the road (fleet) and used vehicles (inventories);
- impairment tests performed on intangible assets;
- the deferred tax assets;
- the estimation of insurance technical reserves;
- the measurement of uncertainty over income tax treatments and other provisions for contingencies and charges. In particular, while investigations and litigations are ongoing, it is difficult to foresee their outcome and potential impact. Provision estimation is established by taking into account all available information at the date of the preparation of the financial statements, in particular the nature of the dispute, the underlying facts, the ongoing legal proceedings and court decisions, including those related to similar cases.

There is no event or information that could be declared as contingent liabilities.

3. NOTES TO THE PROFIT AND LOSS ACCOUNT AS AT 30 JUNE 2021

3.a LEASE CONTRACT MARGIN

In millions of euros	First half 2021	First half 2020
Lease contract revenues	2 389,24	2 299,68
Lease contract costs depreciation	(1 921,16)	(1 870,60)
Lease contract - Financing	(109,52)	(116,14)
Foreign exchange gain/loss	0,19	(6,52)
Lease contract margin	**358,76**	**306,42**

Lease contract margin refers to the Lease Rental activity including revenues and costs such as rents, depreciation, interest and commissions as well as income and charges related to funding, including gain and loss on foreign exchange.

Lease contract revenues

Lease contract revenues reflect the sum of the margins linked to the lease rental activity. Lease contract revenues are following IFRS16, in terms of identification of lease and non-lease components and IFRS15 in terms of assessment of a performance obligation.

Lease contract costs depreciation

These costs represent the depreciation directly linked to lease contract vehicles. The depreciation is calculated linearly over the life of the lease contract taking into account the vehicle purchase price minus its residual value.

Lease contract – Financing

Arval is funding the acquisition of leased vehicles with borrowings that generate interest costs. Also included are all bank charges necessary for the usual activity.

3.b LEASE SERVICES MARGIN

In millions of euros	First half 2021	First half 2020
Service revenues	1 576,46	1 427,00
Costs of service revenues	(1 255,56)	(1 110,87)
Lease services margin	320,90	316,12

Lease services margin includes all services proposed by Arval that complement the Long Term Rental activity, such as maintenance and repair, tyres, relief vehicle, assistance, damages, insurance (through Greenval or external companies) fuel management, telematics, and driver services.

The analysis of the IFRS 15 standard performed by Arval group has brought to the conclusion that revenue recognition should reflect a "Performance Obligation" meaning " efforts made " to deliver a service:

- Occurrence of costs should be applied for revenue related to predictable costs like maintenance and tyres;
- Time elapsing could be used for revenue linked to no predictable costs like insurance or assistance.

Then, regarding maintenance and tyres margin, the revenue recognition is therefore, done following the incurred cost occurrence.

Service revenues

All services invoiced in addition to the rental activity are embedded within these revenues (following IFRS 15 principles).

Costs of services revenues

All costs linked to the services invoiced in addition to the rental activity are embedded within these costs.

3.c CARS SALES RESULT

In millions of euros	First half 2021	First half 2020
Proceeds of cars sold & end of contract fees	2 227,60	1 248,40
Costs of cars sold	(2 061,58)	(1 216,88)
Car sales result	**166,02**	**31,52**

The proceeds and costs of the sales of the vehicles sold mainly include:

Proceeds of cars sold and End of Contract Fees:

- Sales price;
- Refurbishment costs;
- Excess mileage fees;
- Early termination fees;
- Anticipated margin due to the reassessment of the residual value.

According to IAS 16 standard, an estimation (adjusted regularly) of the expected profit or loss on future disposals is spread over the life of the contracts. Those expectations related to the remarketing performance are part of the car sales result item.

To be compliant with IFRS, the residual values of the fleet is assessed in order to take into account the potential risks linked to the evolution of the used car market. This residual value assessment is part of the rental fleet depreciation.

Cost of cars sold:

- Net book value of the cars;
- Logistic costs.

3.d OPERATING EXPENSES

In millions of euros	First half 2021	First half 2020
Salary and employee benefit expense	(261,50)	(245,96)
Other operating expenses	(103,50)	(92,87)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(29,79)	(27,09)
Operationg expenses	**(394,79)**	**(365,92)**

Operating expenses mainly include staff expenses, IT costs, property costs, professional fees and advertising, and depreciation and amortisation. This item contains too the depreciation of the rights of use according IFRS 16.

The average number of staff employed by Arval group during the first half year 2021 is 7 309.
As at June 30 2021, the full time equivalent number of staff employed by the group is 7 366.

3.e COST OF RISK

In millions of euros	First half 2021	First half 2020
Net allowances to impairment	(7,17)	(14,27)
Recoveries on loans and receivables previously written off	1,25	1,99
Losses on irrecoverable loans	(9,84)	(10,47)
Total cost of risk for the period	**(15,75)**	**(22,75)**

Cost of risk includes the write off on receivables and Impairment gains and losses resulting from the accounting of loss allowances resulting from the provisioning policy in place.

Write-offs

A write-off consists in reducing the gross carrying amount of the trade receivables when there are no longer reasonable expectations of recovering this amount in its entirety or a portion thereof, or when it has been fully or partially forgiven. The write-off is recorded when all other means available to Arval group for recovering the receivables or guarantees have failed, and also generally depends on the context specific to each jurisdiction.

If the amount of loss on write-off is greater than the accumulated loss allowance, the difference is an additional impairment loss posted in "Cost of risk". For any receipt occurring when the financial asset (or part of it) is no longer recognised on the balance-sheet, the amount received is recorded as an impairment gain in "Cost of risk".

3.f OTHER INCOMES AND OTHER EXPENSES

In millions of euros	First half 2021	First half 2020
Other incomes	5,52	1,04
Other expenses	(1,48)	(0,25)
Other incomes & expenses	**4,05**	**0,79**

Other incomes and expenses represent all profit and loss items relating to financial instruments measurements and disposal. This item also concerns disposal of fixed assets and rights of use.

3.g SHARE OF EARNINGS OF EQUITY METHOD ENTITIES

In millions of euros	First half 2021	First half 2020
Share of earnings of equity method entities	2,55	(1,21)
Share of earnings of equity method entities	**2,55**	**(1,21)**

This is the share of the income generated by associated companies to the Arval Group and accounted by using the equity method given their shared ownership. This concerns the partnership in the South America area.

3.h CORPORATE INCOME TAX

In millions of euros	First half 2021	First half 2020
Corporate income tax	(113,69)	(46,09)
Deferred tax expenses/incomes	6,52	(8,86)
Corporate income tax	**(107,17)**	**(54,95)**

Effective tax rates

Reconciliation of the effective tax expense to the theoretical tax expense at standard tax rate in France	First half year 2021		First half year 2020	
	in millions of euros	tax rate	in millions of euros	tax rate
Corporate income tax expense on pre-tax income at standard tax rate in France	**-124,77**	**28,41%**	**-85,23**	**32,02%**
Impact of differently taxed foreign profits	17,64	-4,02%	17,37	-6,52%
Impact of changes in tax rates	10,25	-2,33%	1,14	-0,43%
Impact of the securities taxation	-3,52	0,80%	-2,85	1,07%
Impact of the credit tax used	7,47	-1,70%	4,06	-1,53%
Impact of the tax of the previous years	-9,01	2,05%	2,00	-0,75%
Impact of tax losses non activated	0,00	0,00%	0,13	-0,05%
Impact of using tax losses for which no deferred tax asset was previously recognised	-1,03	0,23%	-6,59	2,48%
Other items	-4,19	0,95%	15,03	-5,65%
Corporate income tax expense	**-107,17**	**24,40%**	**-54,95**	**20,64%**
Current tax expense for the period	-113,69	25,89%	-46,09	17,32%
Deferred tax expense for the period (Note 5.i)	6,52	-1,48%	-8,86	3,33%

(1) Restated for the share of profits in equity-method entities and goodwill impairment.

The standard tax rate in France is 28.41% for 2021 versus 32.02% for exercise 2020.

Countries where tax rates are lower than in France are mainly UK, Ireland and Belgium (with applicable tax rates of 19%, 12.5% and 25% respectively.

4. SEGMENT INFORMATION

4.a RENTAL FLEET

The table below presents information about the rental fleet distribution in value (in Meuros) within the countries and geographical regions in which the Arval group is active.

In millions of euros	30 June 2021	31 December 2020
Countries / Geographical areas		
France	4 941,07	4 830,34
Italy	3 669,45	3 337,04
United Kingdom	3 056,39	2 812,00
Spain	3 131,02	2 909,96
Germany	1 766,91	1 693,76
Central and Southern Europe	2 433,59	2 308,22
Nothern Europe and Benelux	3 527,37	3 292,28
Asia	351,33	347,23
Latin America	215,21	201,51
Fleet net amount at end of period	23 092,34	21 732,34

4.b FTE's (FULL TIME EQUIVALENT)

The table below presents information about the FTE's distribution (in number) within the countries and geographical region in which the Arval group is Active at the end of the period:

	30 June 2021	31 December 2020
Countries / Geographical areas		
France / IT / Corporate functions / Others	2 183	2 118
Italy	1 082	1 064
United Kingdom	647	643
Spain	740	711
Germany	362	351
Central and Southern Europe	919	889
Nothern Europe and Benelux	834	816
Asia	223	262
Latin America*	375	401
** of which garages*	*70*	*95*
TOTAL FTEs	7 366	7 256

The Latin America regions includes 227 FTEs related to Relsa group which is accounted with equity method.

4.c GROSS OPERATING INCOME

The split of the gross operating income per country, geographical area is the following:

In millions of euros	First half year 2021	Year to 31 December 2020
Countries / Geographical areas		
France	167,02	368,86
Italy	179,71	213,51
United Kingdom	95,01	166,49
Spain	108,10	182,63
Germany	43,47	70,56
Central and Southern Europe	62,00	109,49
Nothern Europe and Benelux	135,53	181,42
Asia	39,18	54,84
Latin America	15,68	25,77
Gross Operating Income	**845,68**	**1 373,56**

5. NOTES TO THE BALANCE SHEET AS AT 30 JUNE 2021

5.a GOODWILL

In millions of euros	First half year 2021	Year to 31 December 2020
Carrying amount at start of period	**509,79**	**515,52**
Acquisitions	0,88	5,20
Divestments		
Impairment recognised during the period		
Exchange rate adjustments (*)	8,18	(10,93)
Other movements		
Carrying amount at end of period	**518,86**	**509,79**
Gross value	626,26	612,97
Accumulated impairment recognised at the end of period	(107,41)	(103,18)

(*): of which exchange rate adjustment on gross value: 12,41 for the first half year 2021 and (16,67) for 2020

Impairment on Goodwill concerns UK entities and was recorded in 2009. Movement on impairment as at 30 June 2021 is only due to exchange rate adjustments.
Goodwill is related to acquisitions. All acquired entities are engaged in providing lease services. Goodwill is allocated to the Arval group's cash generating units which have incorporated the acquisitions. Cash generating units are the individual countries in which Arval has an entity.

Measurement of goodwill

When acquiring companies, the value of the investment carried out may be greater than the fair value of the net assets and liabilities of the concerned ones. This excess represents the Goodwill which has to be regularly assessed less any accumulated impairment losses previously booked.

In case of indicator that could cause the need for impairment, the DCF method is used to validate the results and determine the amount of impairment required.

The DCF method is based on a number of assumptions in terms of future revenues, expenses and cost of risk (cash flows) based on medium-term business plans over a period of five years. Cash flow projections beyond the 5-year forecast period are based on a growth rate to perpetuity and are normalised when the short-term environment does not reflect the normal conditions of the economic cycle.

The key parameters which are sensitive to the assumptions made are the cost of capital, the cost/income ratio, the cost of risk and the growth rate to perpetuity.

There was no new impairment recognised in 2021.

5.b OTHER INTANGIBLE ASSETS

In millions of euros	First half year 2021			
	Software	Other intangible assets	Intangible assets in progess	Total
Carrying amount at start of period	**60,12**	**8,69**	**16,05**	**84,86**
Additions	11,00	0,00	12,65	23,65
Consolidation perimeter changes	-			-
Disposals	(2,06)			(2,06)
Amortisation charge	(12,44)	(0,65)		(13,09)
Impairment charge				-
Other movements	-	0,00	(7,19)	(7,19)
Exchange rate adjustments	0,02	0,00		0,02
Carrying amount at end of period	**56,64**	**8,04**	**21,50**	**86,19**
Gross value	212,24	9,24	21,50	242,98
Accumulated amortisation and impairment	(155,60)	(1,19)		(156,79)

In millions of euros	Year to 31 December 2020			
	Software	Other intangible assets	Intangible assets in progess	Total
Carrying amount at start of period	**39,55**	**1,49**	**35,85**	**76,89**
Additions	43,80	9,01	14,60	67,41
Consolidation perimeter changes	0,06			0,06
Disposals	(1,94)			(1,94)
Amortisation charge	(21,29)	(1,89)		(23,18)
Impairment charge				-
Other movements	-	0,04	(34,40)	(34,36)
Exchange rate adjustments	(0,06)	0,04		(0,02)
Carrying amount at end of period	**60,12**	**8,69**	**16,05**	**84,86**
Gross value	203,27	39,24	16,05	258,55
Accumulated amortisation and impairment	(143,15)	(30,55)		(173,70)

5.c RENTAL FLEET

In millions of euros	First half year 2021	Year to 31 December 2020
Carrying amount at start of period	21 732,34	20 077,78
Additions	4 847,49	8 290,53
Consolidation perimeter changes	(11,74)	103,95
Disposals	(1 678,22)	(2 645,46)
Depreciation charge	(1 921,16)	(3 714,47)
Impairment charge	(0,17)	(0,67)
Other movements		
Exchange rate adjustments	123,79	(379,30)
Carrying amount at end of period	23 092,34	21 732,34
Gross value	31 226,89	29 619,72
Accumulated depreciation and impairment	(8 134,56)	(7 887,38)

As at June 30, 2021, the net amount of the leased vehicles owned by the Arval group reaches 23 092,34 million Euros.

To be compliant with IFRS, the residual values of the fleet is assessed in order to take into account the potential risks linked to the evolution of the used car market. This residual value assessment is part of the rental fleet depreciation. A prospective methodology is applied for the rental fleet depreciation calculation onboarding the residual value variation over the remaining life of the contract.

The Rental fleet is linearly amortized over the length of the lease contract (in average between one and five years).

Rental fleet impairment

In the periodic assessment of whether there is any indication that an asset may be impaired, Arval group considers both external as well as internal sources of information. If such indication for impairment exists, an analysis is performed to assess whether the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and the value in use.

5.d PROPERTY, PLANT AND OTHER EQUIPMENT

In millions of euros	First half year 2021			
	Land and buildings	Equipment, furniture and fixtures	Other property, plant and equipment	Carrying amount
Carrying amount at start of period	**99,24**	**8,42**	**50,70**	**158,36**
Additions	1,20	0,82	7,27	9,29
Consolidation perimeter changes	-		(0,01)	(0,01)
Disposals	-	(0,09)	(4,71)	(4,80)
Depreciation charge	(10,66)	(0,76)	(5,28)	(16,70)
Impairment charge				-
Other movements	1,30	-	0,17	1,47
Exchange rate adjustments	0,65	0,04	0,38	1,07
Carrying amount at end of period	**91,72**	**8,42**	**48,52**	**148,67**
Of which Rights of Use	83,82	-	4,34	88,16
Gross value	*226,44*	*28,84*	*105,47*	*360,75*
Accumulated depreciation and impairment	(134,72)	(20,42)	(56,95)	(212,09)

In millions of euros	Year to 31 December 2020			
	Land and buildings	Equipment, furniture and fixtures	Other property, plant and equipment	Carrying amount
Carrying amount at start of period	**96,10**	**10,25**	**44,96**	**151,31**
Additions	21,64	0,79	21,53	43,96
Consolidation perimeter changes	0,16		0,00	0,16
Disposals	(0,00)	(0,01)	(4,94)	(4,95)
Depreciation charge	(19,43)	(2,34)	(10,34)	(32,10)
Impairment charge				-
Other movements	1,40	(0,10)	0,47	1,76
Exchange rate adjustments	(0,63)	(0,17)	(0,98)	(1,78)
Carrying amount at end of period	**99,24**	**8,42**	**50,70**	**158,36**
Of which Rights of Use	77,05	-	4,52	81,58
Gross value	*224,53*	*27,80*	*105,71*	*358,04*
Accumulated depreciation and impairment	(125,29)	(19,39)	(55,01)	(199,68)

5.e EQUITY-METHOD INVESTMENTS

In millions of euros	First half year 2021	Year to 31 Dec. 2020
Carrying amount at start of period	25,67	24,48
Share of net income	2,55	0,92
Share of changes in assets and liabilities recognised directly in equity	1,70	3,89
Exchange rate adjustments	(1,86)	(3,62)
Carrying amount at end of period	28,07	25,67

Equity method investments are composed of jointly controlled entities that Arval shares with its partner Relsa in Chile and in Peru.

5.f SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In millions of euros	First half year 2021	Year to 31 Dec. 2020
Carrying amount at start of period	10,46	11,56
Fair value adjustments	0,26	(1,03)
Change of portfolio securities	(0,68)	(0,07)
Carrying amount at end of period	10,04	10,46

This item contains 2 different portfolios securities:

- Entity which is not controlled by Arval: Annuo Jiutong in China (with percentage of interest of 15 %).

- Entity which is fully controlled by Arval but not consolidated for materiality reason: Arval India.

The securities are classified as Mandatory Fair Value through Profit or Loss.

5.g DERIVATIVES USED FOR HEDGING PURPOSES

In millions of euros	30 June 2021		31 December 2020	
	Positive fair value	Negative fair value	Positive fair value	Negative fair value
Fair value hedges	0,00	0,00	0,00	0,00
Interest rate derivatives				
Foreign exchange derivatives				
Cash flow hedges	17,95	16,02	26,55	13,75
Interest rate derivatives				
Foreign exchange derivatives	17,95	16,02	26,55	13,75
Other derivatives				
Derivatives used for hedging purposes	**17,95**	**16,02**	**26,55**	**13,75**
Split current / non current is as follows				
Current (less than 1 year)	5,13	4,58	7,59	3,93
Non current (more than 1 year)	12,82	11,44	18,96	9,82
Total	**17,95**	**16,02**	**26,55**	**13,75**

The derivative financial instruments are described in the chapter 1.d.3. The hedge accounting is defined within the section 2.h.

5.h OTHER FINANCIAL ASSETS

In millions of euros	30 June 2021	31 December 2020
Loans	82,86	126,08
Deposit	1,71	0,91
Other non current financial assets - Available For Sale	203,81	194,71
Post employement benefit assets	30,92	22,56
Carrying amount at end of period	**319,29**	**344,26**

The other current financial assets – Available for sale are only composed of Greenval insurance DAC investments following the below principles:

1. Protect the company's capital and solvency,

2. Hedge the liability profile of the Company with suitable investments,

3. Minimize the risk of loss consistent with its risk appetite,

Greenval insurance DAC does not engage in active trading and is typically a buy and hold investor with an asset allocation to fixed interest securities aligned to its liability profile.

The split between current and non-current maturity is the following:

In millions of euros	30 June 2021	31 December 2020
Current (Less than one year)	16,56	46,99
Non current (more than one year)	302,73	297,27
Carrying amount at end of period	**319,29**	**344,26**

5.i CURRENT AND DEFERRED TAXES

In millions of euros	30 June 2021	31 December 2020
Current taxes	15,79	30,09
Deferred taxes	93,41	74,57
Current and deferred tax assets	**109,21**	**104,66**
Current taxes	76,75	31,49
Deferred taxes	279,38	261,86
Current and deferred tax liabilities	**356,13**	**293,34**

Change in deferred tax by nature over the period:

In millions of euros	31 December 2020	Changes recognised in profit or loss	Changes recognised in equity that may be reclassified to profit or loss	Changes recognised in equity that will not be reclassified to profit or loss	Effects of exchange rates, consolidation scope and other movements	30 June 2021
Financial instruments	10,44	1,94	(0,02)		1,05	13,41
Provisions for employee benefit obligations	15,39	(1,99)		(2,20)	0,00	11,19
Fleet	(474,88)	11,07			(7,99)	(471,81)
Other tangible assets	68,84	5,65			(0,06)	74,43
Intangible assets	(0,22)	0,20			(0,37)	(0,40)
Credit risk impairment	28,47	(4,82)			3,28	26,93
Provisions	42,81	2,38			1,27	46,46
Tax loss carryforwards	124,45	(7,14)			0,03	117,35
Other items	(2,58)	(0,91)			(0,04)	(3,53)
Net deferred taxes	**(187,28)**	**6,37**	**(0,02)**	**(2,20)**	**(2,83)**	**(185,97)**
Deferred tax assets	74,57					93,41
Deferred tax liabilities	261,86					279,38

Deferred taxes are recognised when temporary differences arise between the carrying amount of an asset or liability in the balance sheet and its tax base.

Deferred tax liabilities are recognised for all taxable temporary differences other than:

- taxable temporary differences on initial recognition of goodwill;
- taxable temporary differences on investments in enterprises under the exclusive or joint control of Arval group, where Arval group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and unused carryforwards of tax losses only to the extent that it is probable that the entity in question will generate future taxable profits against which these temporary differences and tax losses can be offset.

Deferred tax assets and liabilities are measured using the liability method, using the tax rate which is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been or will have been enacted by the balance sheet date of that period. They are not discounted.

Current and deferred taxes are recognised as tax income or expenses in the profit and loss account, except for those relating to a transaction or an event directly recognised in shareholders' equity, which are also recognised in shareholders' equity.

When tax credits on revenues from receivables and securities are used to settle corporate income tax payable for the period, the tax credits are recognised on the same line as the income to which they relate. The corresponding tax expense continues to be carried in the profit and loss account under "Corporate income tax".

5.j INVENTORIES

In millions of euros	First half year 2021	Year to 31 Dec. 2020
Carrying amount at start of period	**400,09**	**336,69**
Variation of inventories	(94,84)	78,12
Inventories allowance recognised during the period	(10,57)	(8,97)
Exchange rate adjustments	3,09	(5,76)
Carrying amount at end of period	**297,77**	**400,09**
Gross value	323,29	415,03
Accumulated allowances recognised at the end of period	(25,51)	(14,94)

Upon termination of the lease, the relevant assets are reclassified from the caption "Rental Fleet" to the "inventories" at their carrying amount.

Then, inventories are composed of vehicles returned but not yet sold. The value presented is a net amount of the historical value at the dehire's date and its depreciation.

The vehicles in stock, are depreciated until they are sold to take into account the time impact on the market value.

5.k TRADE RECEIVABLES

In millions of euros	30 June 2021	31 December 2020
Trade receivables - gross amount	1 226,06	1 127,45
Impairment	(158,52)	(144,59)
Total	**1 067,54**	**982,86**
Past maturity of gross amount is as follows		
Non past due	925,73	780,97
Past due less than 1 year	192,45	247,88
Past due 1-5 years	98,49	97,34
Past due over 5 years	9,39	1,26
Total	**1 226,06**	**1 127,45**

Trade receivables represent unpaid, current lease receivables under existing operating lease contracts or receivables related to inventory sales.
According to Arval group accounting policies, it must be determined for each debt, if a loss event (or a combination of loss events):

- Leads to the classification as a doubtful debt,
- Reduces the estimated future cash flow expected to be recovered

When an objective indicator of impairment is identified i.e. when the debt is classified as 'doubtful', the recoverable value has to be calculated to determine if an impairment provision should be recognized. If the recoverable value is lower than the net carrying amount, a provision should be calculated as follows: Provision on doubtful debt = Outstanding debt – Discounted recoverable value.
In order to estimate the discounted recoverable value to take into account in the calculation of the provision on doubtful debt, two types of evaluation can be used: individual and statistical calculation. These have to be used separately, meaning a doubtful debt cannot be depreciated at the same time using an individual and statistical calculation. Although these two options are considered to be both available for the cases under default, the statistical approach is to be followed for the non-defaulted doubtful part (i.e. for technical / dispute).

(a) Individual estimation: Customer per customer

(b) Statistical estimation: If doubtful debt can be gathered into homogeneous groups (i.e. sharing similar characteristics), the discounted recoverable value can be determined statistically. Homogeneous groups are defined by debt sharing similar characteristics (geography, number of days past-due, reasons for the classification etc.) and in this case, the percentage of recovery can be calculated according to history of recoveries.

In the framework of IFRS9, a simplified methodology called "Approximation by net provision" is used to assess the Expected Credit Loss to be booked on trade receivables and lease receivables.

This methodology relies on past cost of risk data: it basically consists in applying to the out-of-Group exposure of the considered quarter a "Specific Provisioning Ratio" (SPR), specific to each entity, calculated based on historical data of the entity on the previous 7 years:

- The SPR could be estimated as the average of the loss and dotations /reversals of provisions observed on the whole history on the portfolio to which the asset belongs

- It is updated once a year in Q4 (including the last available figures of the quarter) and remains unchanged in the three following quarters

The SPR provision including in the provision for receivables depreciation amounts to 18 Meuros as at June 30 2021.

At each closing date, the provision has to be updated in order to take into account:

- Realized repayments since the previous closing,
- Estimation of the amount of future cash flows.

Impairment movements are analysed below:

In millions of euros	First half year 2021	Year to 31 December 2020
Carrying amount at start of period	**(144,59)**	**(117,11)**
Charge impairment recognised during the period	(21,44)	(51,08)
Reversal impairment recognised during the period	8,54	20,49
Exchange rate adjustments	(1,32)	2,87
Other movements	0,29	0,23
Carrying amount at end of period	**(158,52)**	**(144,59)**

5.l CASH AND CASH EQUIVALENTS

In millions of euros	30 June 2021	31 December 2020
Cash at bank and on hand	675,37	443,00
Short term bank deposit	141,30	168,56
Carrying amount at end of period	**816,67**	**611,56**

Cash and equivalent include cash in hands, deposit held at call with bank and other highly liquid investments.

Cash and equivalents are defined as short term investments that are readily convertible to known amounts. Financial assets held as cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

In the consolidated accounts, bank overdrafts are included in borrowings.

5.m Other receivables and prepayments

In millions of euros	30 June 2021	31 December 2020
Recoverable VAT	316,03	326,04
Other debtors	192,42	239,67
Allowances other debtors	(9,52)	(15,40)
Deferred cost	254,59	190,11
Accrued revenues	447,59	301,94
Other prepaids and accrued income	419,39	420,51
Carrying amount at end of period	**1 620,50**	**1 462,87**

These amounts include prepayments in respect of expenses attributable to a subsequent period and amounts still to be received, rebates and bonuses receivable, as well as to amounts that are not classified under any dedicated account.

All the other receivables and prepayments have a remaining maturity of less than one year.

5.n Shareholder's equity

In millions of euros	30 June 2021	31 December 2020
Share capital	66,41	66,41
Share premium	272,23	272,23
Retained earnings and other reserves	1 486,94	1 262,35
Net income	334,57	471,45
Total Equity	**2 160,15**	**2 072,44**

At 30 June 2021, the share capital of Arval Services Lease amounted to EUR 66,412,800 and was divided into 3,320,640 shares. The nominal value of each share is EUR 20, unchanged from 31 December 2020. Number of shares is also unchanged from 31 December 2020.

All shares issued are fully paid.

The retained earnings and other reserves mainly represent, in addition to legal reserves, the reserves recognized due to IFRS standards' application.

Equity variations are described in the statement of changes in shareholder's equity between 1 January 2020 and 30 June 2021.

5.o SUBORDINATED DEBT

In millions of euros	30 June 2021	31 December 2020
Subordinated debt	**90,00**	**90,00**

Subordinated debt

Subordinated debt are initially recognised at the issue value including transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The subordinated debt relates exclusively to the entity Arval Germany as required by German authorities. Arval Germany has to perform a risk bearing capacity calculation each year to demonstrate that it has sufficient capital to cover the risks linked to its activity. A subordinated debt was put in place in 2017 to comply with this requirement.

Maturity of the subordinated debt is more than one year, so the debt is classified as non-current liabilities.

5.p DEBT SECURITIES AT AMORTISED COST

In millions of euros	30 June 2021	31 December 2020
Issued bond securities	789,92	-
Negotiable debt securties	499,94	-
Total debt securities at amortised cost	**1 289,86**	**-**

The split between current and non-current maturity is the following:

In millions of euros	30 June 2021	31 December 2020
Current (less than one year)	499,94	-
Non current (more than one year)	789,92	-
Total	**1 289,86**	**-**

5.q BORROWINGS FROM FINANCIAL INSTITUTIONS

In millions of euros	30 June 2021	31 December 2020
Borrow ings from financial institutions	20 945,82	21 053,26
Accrued and unpaid interest on borrow ings	27,07	26,48
Overdrafts	147,19	191,55
Accrued and unpaid interest on overdraft	0,78	0,28
Total	**21 120,86**	**21 271,56**

Borrowings from financial institutions are mainly composed (97.8% same as 2019) of BNPP and BNPP Fortis borrowings. These borrowings are used to purchase the leased vehicles and the Arval group investments. Interests and the balance of bank accounts payable are included.

The split between current and non-current maturity is the following:

In millions of euros	30 June 2021	31 December 2020
Current (less than one year)	5 913,29	6 758,88
Non current (more than one year)	15 207,57	14 512,68
Total	**21 120,86**	**21 271,56**

Maturity of Borrowings:

In millions of euros	30 June 2021	31 December 2020
Less than one year	5 738,25	6 540,58
1-5 years	15 183,52	14 364,53
Over 5 years	24,05	148,15
Total	**20 945,82**	**21 053,26**

5.r RETIREMENT BENEFITS OBLIGATIONS AND LONG TERM BENEFITS

In millions of euros	31 December 2020	Net additions to provisions	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	30 June 2021
Provisions for employee benefits					
- post-employment benefits	67,90	1,33	-2,86	-0,12	66,25
- provision for other deferred cash bonus	4,08	-0,27		0,01	3,82
- provision for other long-term benefits	8,46	0,38			8,85
- other provision	0,22	0,71			0,93
Total provisions for employee benefis	**80,66**	**2,15**	**-2,86**	**-0,10**	**79,86**

In millions of euros	31 December 2019	Net additions to provisions	Changes in value recognised directly in equity	Effect of movements in exchange rates and other movements	31 December 2020
Provisions for employee benefits					
- post-employment benefits	67,53	-9,55	9,65	0,26	67,90
- provision for other deferred cash bonus	3,72	0,37		-0,01	4,08
- provision for other long-term benefits	7,67	0,79		0,00	8,46
- other provision	0,08	0,14		0,00	0,22
Total provisions for employee benefis	**79,01**	**-8,25**	**9,65**	**0,25**	**80,66**

The definition of the employee's benefits covered by these provisions is described in the chapter 2.i.

As the maturity of the provisions is more than one year, they are classified as non-current.

5.s PROVISIONS

Provisions for contingencies and charges by type

In millions of euros	31 December 2020	Net additions to provisions	Provisions used	Effect of movements in exchange rates and other movements	30 June 2021
Technical provisions for insurance (Greenval)	**124,60**	**18,14**		**(4,86)**	**137,89**
Provisions for risk on operating leases	**222,66**	**42,71**	**(35,43)**	**(0,92)**	**229,02**
Provisions for litigations with third parties	**10,03**	**0,10**	**(3,13)**	**0,26**	**7,26**
Other provisions for contingencies and charges	**7,92**	**2,09**	**(1,14)**	**(0,28)**	**8,59**
Total provisions for contingencies and charges	**365,20**	**63,04**	**(39,70)**	**(5,79)**	**382,76**
Split current / non current is as follows					
Current (less than 1 year)	100,58				106,46
Non current (more than 1 year)	264,62				276,30
Total	**365,20**				**382,76**

In millions of euros	31 December 2019	Net additions to provisions	Provisions used	Effect of movements in exchange rates and other movements	31 December 2020
Technical provisions for insurance (Greenval)				**124,60**	**124,60**
Provisions for risk on operating leases	**222,91**	**56,21**	**-54,43**	**-2,03**	**222,66**
Provisions for litigations with third parties	**8,24**	**2,02**	**-0,23**	**0,00**	**10,03**
Other provisions for contingencies and charges	**1,79**	**6,76**	**-0,61**	**-0,02**	**7,92**
Total provisions for contingencies and charges	**232,94**	**64,98**	**-55,27**	**122,55**	**365,20**
Split current / non current is as follows					
Current (less than 1 year)	64,20				100,58
Non current (more than 1 year)	168,74				264,62
Total	**232,94**				**365,20**

Other provisions for liabilities cover mainly risk retention and relief vehicles risk.
A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation arising from a past event, and a reliable estimate can be made of the amount of the obligation. The amount of such obligations is discounted, where the impact of discounting is material, in order to determine the amount of the provision.

Maturity is determined as follows:

- For third parties: foreseeable date of disbursement
- For risk and charges and insurance: prorate based on average duration of the contracts

5.t TRADE AND OTHER PAYABLES

In millions of euros	30 June 21	31 December 2020
Lease liabilities	88,64	80,79
Deposit	84,98	81,30
Suppliers	367,72	315,63
VAT liabilities	96,11	84,56
Other deferred incomes	1 052,83	868,96
Other accrued expenses	189,80	180,06
Other creditors	757,36	656,06
Total	**2 637,45**	**2 267,36**
Split current / non current is as follows		
Current (less than 1 year)	2 565,72	2 206,30
Non current (more than 1 year)	71,73	61,06
Total	**2 637,45**	**2 267,36**

This item contains the debts arising from lease liabilities (IFRS 16), supplier payables including on fixed assets, the VAT collected and all other amounts owed to the employees, to the State or social organisms

Other deferred incomes, other accrued expenses, other accruals and deferred charges are also part of this item.

Non current part concerns lease liabilities.

6. COMMITMENTS

In millions of euros	30 June 2021	31 December 2020
Financing commitments given	0,58	6,25
Guarantee commitments given	96,07	100,63
Total commitments given	**96,65**	**106,87**
Financing commitments received (*)	1 982,65	605,21
Guarantee commitments received	99,45	107,83
Total commitments received	**2 082,10**	**713,05**

(*) : Arval signed with 5 international banks revolving credit facilities for a total of 1bn.

These commitments are entered into the ordinary course of business.

7. ADDITIONAL INFORMATION

7.a EARNINGS PER SHARE

Basic and diluted earnings per share:

Basic earnings per share are calculated by dividing the net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period. The net income attributable to ordinary shareholders is determined by deducting the net income attributable to holders of preferred shares.

Diluted earnings per share correspond to the net income for the period attributable to holders of ordinary shares, divided by the weighted average number of shares outstanding as adjusted for the maximum effect of the conversion of dilutive equity instruments into ordinary shares. In-the-money stock subscription options are taken into account in the diluted earnings per share calculation, as are performance shares granted under the Global Share-based Incentive Plan. Conversion of these instruments would have no effect on the net income figure used in this calculation.

In euros	First half year 2021	Year 2020
Net profit used to calculate basic and diluted earnings per ordinary share	**325 001 911**	**459 925 717**
Weighted average number of ordinary shares outstanding during the year	**3 320 640**	**3 320 640**
Effect of potentially dilutive ordinary shares (Performance share attribution plan)	-	-
Weighted average number of ordinary shares used to calculate diluted earnings per share	**3 320 640**	**3 320 640**
Basic earnings per share (in euros)	**97,87**	**138,51**
Diluted earnings per share (in euros)	**97,87**	**138,51**

7.b PAID DIVIDENDS

A dividend related to the period ended December 31, 2020, for an amount of EUR 275,02 m (EUR 82,82 per share) was paid in May 2021. No dividend was distributed in 2020.

7.c SCOPE OF CONSOLIDATION

Control, interest percentages and consolidation method per entity:

		30 June 2021			31 December 2020		
Name	Country	Method	Voting (%)	Interest (%)	Method	Voting (%)	Interest (%)
Arval Service Lease	France						
Arval Austria GmbH	Austria	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Fuhrparkmanagement GmbH (i)	Austria				Full	100,00%	100,00%
Arval Belgium NV SA	Belgium	Full	100,00%	100,00%	Full	100,00%	100,00%
Locadif	Belgium	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Brasil Ltda	Brazil	Full	100,00%	100,00%	Full	100,00%	100,00%
Rentaequipos Leasing SA	Chile	Equity	50,00%	50,00%	Equity	50,00%	50,00%
Comercializadora de Vehiculos SA	Chile	Equity	50,00%	50,00%	Equity	50,00%	50,00%
Arval Relsa SPA	Chile	Equity	50,00%	50,00%	Equity	50,00%	50,00%
Arval CZ SRO	Czech Republic	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval AS	Denmark	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval OY	Finland	Full	100,00%	100,00%	Full	100,00%	100,00%
Cofiparc	France	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Trading	France	Full	100,00%	100,00%	Full	100,00%	100,00%
Public Location Longue Durée	France	Full	100,00%	100,00%	Full	100,00%	100,00%
Louveo	France	Full	100,00%	100,00%	Full	100,00%	100,00%
Artel	France	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Fleet Services	France	Full	100,00%	100,00%	Full	100,00%	100,00%
Cent ASL	France	Full	100,00%	100,00%			
Arval Deutschland GmbH	Germany	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Hellas Car Rental SA	Greece	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Magyarorszag KFT	Hungary	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval India Private Ltd (ii)	India				Full	100,00%	100,00%
Greenval Insurance DAC	Ireland	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Service Lease Italia SPA	Italy	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Luxembourg SA	Luxembourg	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Maroc SA	Morocco	Full	66,66%	66,66%	Full	66,66%	66,66%
Arval Benelux BV	Netherlands	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval BV	Netherlands	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval AS Norway	Norway	Full	100,00%	100,00%	Full	100,00%	100,00%
Rentaequipos Leasing Peru SA	Peru	Equity	50,00%	50,00%	Equity	50,00%	50,00%
Arval Service Lease Polska SP ZOO	Poland	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Service Lease Aluger Operational Automoveis SA	Portugal	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Service Lease Romania SRL	Romania	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval LLC	Russia	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Slovakia SRO	Slovakia	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Service Lease SA	Spain	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval AB	Sweden	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval Schweiz AG	Switzerland	Full	100,00%	100,00%	Full	100,00%	100,00%
TEB Arval Arac Filo Kiralama AS	Turkey	Full	50,00%	50,00%	Full	50,00%	50,00%
BNPP Fleet Holdings Ltd	United Kingdom	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval UK Ltd	United Kingdom	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval UK Group Ltd	United Kingdom	Full	100,00%	100,00%	Full	100,00%	100,00%
Arval UK Leasing Services Ltd	United Kingdom	Full	100,00%	100,00%	Full	100,00%	100,00%

Full = Full Consolidation   Equity = Equity Method   (i) entity merged   (ii) not consolidated

7.d MEASUREMENT OF THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The Arval group's financial assets and liabilities (defined in their respective balance sheet's sections) are classified as follow:

Assets:

In millions of euros	30 June 2021 Carrying amount	Amortised cost	Fair value through profit & loss	Fair value through OCI	Levels
Derivatives used for hedging purposes	17,95			17,95	2
Trades receivables	1 067,54	1 067,54			2
Other receivables and prepayments	1 304,47	1 304,47			2
Other financial assets	319,29	84,57		234,73	1 & 2
Cash and cash equivalent	816,67		816,67		1
ASSETS	**3 525,92**	**2 456,58**	**816,67**	**252,68**	

In millions of euros	31 December 2020 Carrying amount	Amortised cost	Fair value through profit & loss	Fair value through OCI	Levels
Derivatives used for hedging purposes	26,55			26,55	2
Trades receivables	982,86	982,86			2
Other receivables and prepayments	1 136,83	1 136,83			2
Other financial assets	344,26	126,99		217,27	1 & 2
Cash and cash equivalent	611,56		611,56		1
ASSETS	**3 102,05**	**2 246,68**	**611,56**	**243,82**	

Liabilities:

In millions of euros	30 June 2021 Carrying amount	Amortised cost	Fair value through profit & loss	Fair value through OCI	Levels
Subordinated debt	90,00	90,00			2
Borrow ings from financial institutions	21 120,86	21 120,86			2
Debt securities	1 289,86	1 289,86			2
Derivatives used for hedging purposes	16,02			16,02	2
Trade and other payables	2 541,34	2 541,34			2
LIABILITIES	**25 058,08**	**25 042,06**	**0,00**	**16,02**	

In millions of euros	31 December 2020 Carrying amount	Amortised cost	Fair value through profit & loss	Fair value through OCI	Levels
Subordinated debt	90,00	90,00			2
Borrow ings from financial institutions	21 271,56	21 271,56			2
Debt securities					2
Derivatives used for hedging purposes	13,75			13,75	2
Trade and other payables	2 182,80	2 182,80			2
LIABILITIES	**23 558,11**	**23 544,36**	**0,00**	**13,75**	

Assets and liabilities measured or disclosed at fair value are categorised into the three following levels of the fair value hierarchy:

- Level 1: fair values are determined using directly unadjusted quoted prices in active markets for identical assets and liabilities. Characteristics of an active market include the existence of a sufficient frequency and volume of activity and of readily available prices.

- Level 2: fair values are determined based on valuation techniques for which significant inputs are observable market data, either directly or indirectly. These techniques are regularly calibrated and the inputs are corroborated with information from active markets.

- Level 3: fair values are determined using valuation techniques for which significant inputs are unobservable or cannot be corroborated by market-based observations, due for instance to illiquidity of the instrument and significant model risk. An unobservable input is a parameter for which there are no market data available and that is therefore derived from assumptions that other market participants would consider when assessing fair value. The assessment of whether a product is illiquid or subject to significant model risks is a matter of judgment.

7.e COMPENSATION AND BENEFITS AWARDED TO THE ARVAL GROUP'S OFFICERS

Directors' remuneration is not disclosed since it would involve communicating individual amounts.

7.f SHARE-BASED PAYMENT

There are no share-based payment plans.

7.g EVENTS AFTER THE REPORTING PERIOD

No event has to be reported after the reporting period.