



RCI BANQUE SA

HALF-YEAR FINANCIAL REPORT

30 June 2020

SUMMARY

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

30 June 2020

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

Translation of the French original

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

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

July 24th, 2020

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



BUSINESS REPORT



**BANK
AND
SERVICES**



**BUSINESS
REPORT**
FIRST HALF 2020

RCI BANK AND SERVICES⁽¹⁾ OVERVIEW

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

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

Tailored solutions for each type of customer base

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

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

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

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

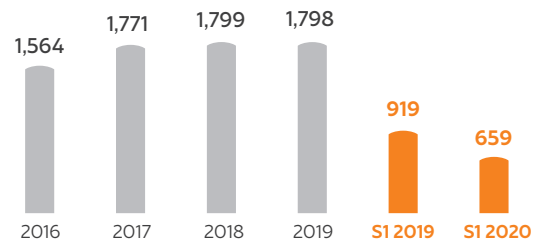
The Savings business was launched in 2012, and now operates in five markets: France, Germany, Austria, the United Kingdom and, since March 2019, Brazil. Savings deposits are a key instrument in the diversification of the group's sources of refinancing for its operations. Deposits collected came to €18.6 billion, or approximately 39% of net assets at end-June 2020⁽³⁾.

Over 3,700 employees across four regions

Our employees operate in 36 countries, across four major regions worldwide: Europe; Americas; Africa - Middle-East - India and Pacific⁽⁴⁾; Eurasia.

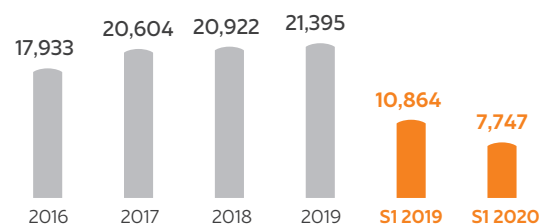
TOTAL NUMBER OF VEHICLE

(in thousands)



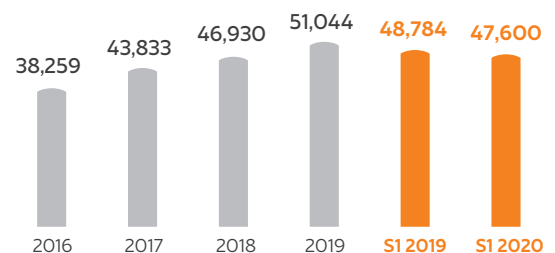
NEW FINANCING

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



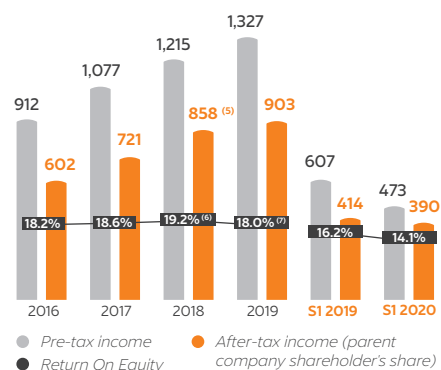
NET ASSETS AT YEAR-END

(in millions of euros)



RESULTS

(in millions of euros)



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

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

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

(4) Change in the regional organization of Groupe Renault with effect from 1 May, 2019: the creation of the new "Africa - Middle-East - India and Pacific" region is reflected in the RCI scope by the grouping of the former "Africa - Middle-East - India" and "Asia - Pacific" regions and now includes Algeria, Morocco, India and South Korea

(5) After-tax result was impacted by deferred tax income of €47 million at the end of 2018.

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

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

BUSINESS ACTIVITY H1 2020

In the Covid-19 pandemic context which has brought about a slump in the global automotive market by 34%⁽¹⁾, RCI Bank and Services financing penetration⁽²⁾ rate was up 3.6 points to 44.9%.

Thus, the group approved 658,555 financing contracts in the first half of 2020, down 28.3% on end-June 2019. Used vehicle financing business was less affected by the health crisis and was down by only 15.0% on end-June 2019, with 157,500 financing contracts.

Excluding Turkey, Russia and India (companies consolidated using the equity method), it came to 47.6%, versus 43.0% in the first half of 2019.

New financings (excluding credit cards and personal loans) totaled €7.7 billion.

Driven by sales in the second half of 2019 and early 2020, average performing assets (APA)⁽³⁾ came to €48.1 billion, showing 3.0% growth since June 2019. Of this amount, €37.8 billion are directly attributable to the Retail Customer business, which posted a 3.9% rise.

A pillar of the group's strategy, the number of services sold in the first half-year represented 1.9 million insurance policies and service contracts, down 22.8%, of which 69% in customer and vehicle use-related services.

The Europe Region posted an improved financing penetration rate of 48.6%, versus 44.2% the previous year.

Driven by strong performances in Brazil and Colombia which recorded high penetration rates of 41.9% and 67.1% respectively, the financing penetration rate in the Americas Region rose to 42.7%, up 6.0 percentage points from June 2019.

Driven by sales in South Korea, the financing penetration rate in the Africa - Middle-East - India and Pacific Region continued to rise to 43.1%, an increase of 1.9 points compared with the end of June 2019. In South Korea, over half of all new vehicles sold by Renault Samsung Motors were financed by RCI Bank and Services resulting in an excellent sales performance with a financing penetration rate of 55.5%.

The Eurasia Region posted a financing penetration rate of 31.1%, fueled in particular by strong performance in Romania, where the financing penetration rate saw a marked improvement of 4.0 points to 35.7%. In Russia, the financing penetration rate was up sharply by 5.0 points compared with June 2019 to 34.8%.

(1) On the scope of RCI Bank and Services' subsidiaries.

(2) The penetration rate is calculated as the number of new vehicles financed divided by the number of vehicles registered by manufacturers. Given the lags between vehicle registrations and deliveries, the drop-in registrations has a slight positive impact on the penetration rate.

(3) Average Performing Assets: APA correspond to average performing outstandings plus assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at month-end. For Dealers, it means the average of daily performing assets.

	Financing penetration rate (%)		New vehicle contracts processed (thousands)		New financings excluding cards and PL (€m)		Net assets at year-end (€m) ⁽²⁾		of which Customer net assets at year-end (€m)		of which Dealer net assets at year-end (€m)	
	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
PC + LUV⁽¹⁾ market												
EUROPE	48.6%	44.2%	485	711	6,409	9,289	42,967	43,488	33,523	33,415	9,444	10,073
of which Germany	50.9%	43.6%	77	95	1,166	1,449	8,137	7,969	6,773	6,495	1,364	1,474
of which Spain	51.1%	50.7%	42	84	506	997	4,437	4,784	3,493	3,880	944	904
of which France	51.9%	47.7%	187	259	2,360	3,249	15,638	14,974	11,972	11,137	3,666	3,837
of which Italy	63.7%	63.4%	60	113	874	1,602	5,802	5,951	4,757	4,875	1,045	1,076
of which United Kingdom	40.0%	29.0%	43	55	663	843	4,248	4,539	3,361	3,676	887	863
of which other countries	36.8%	31.8%	76	105	839	1,148	4,705	5,271	3,167	3,352	1,538	1,919
AMERICAS	42.7%	36.7%	66	98	481	784	2,203	2,999	1,897	2,388	306	611
of which Argentina	31.7%	19.7%	9	11	48	51	135	225	90	149	45	76
of which Brazil	41.9%	39.8%	45	75	338	626	1,578	2,343	1,391	1,889	187	454
of which Colombia	67.1%	48.8%	11	13	96	107	490	431	416	350	74	81
AFRICA - MIDDLE-EAST - INDIA AND PACIFIC	43.1%	41.2%	51	55	614	538	2,105	2,005	1,999	1,873	106	132
EURASIA	31.1%	27.4%	56	55	242	252	325	292	316	274	9	18
TOTAL GROUP RCI BANQUE	44.9%	41.3%	659	919	7,747	10,864	47,600	48,784	37,735	37,950	9,865	10,834

(1) Figures refer to passenger car (PC) and light utility vehicle (LUV) markets.

(2) Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment. Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using the equity method.

CONSOLIDATED FINANCIAL HIGHLIGHTS

In the first half of 2020, affected by the consequences of the health crisis, RCI Bank and Services recorded pre-tax income of €473 million, down 22.1% compared to June 2019.

RESULTS

Net banking income (NBI) amounted to €1,010 million, up 0.2% versus June 2019. Service activities continued their upward trajectory (up 3.5% compared to last year) and now account for one-third of NBI.

Operating costs amounted to €308 million or 1.29% of APA, an improvement of 7 basis points compared with the first half-year 2019. With an operational coefficient of 30.5%, a 0.7 point improvement, RCI Bank and Services is demonstrating its ability to adapt its operating costs at the level of its business segment and its full commitment to the Renault Group's fixed cost-reduction plan.

The cost of risk for the Customer business (financing for private and business customers) saw a sharp increase at 1.15% of APA in the first half of 2020 versus 0.43% of APA last year. This deterioration is due to the increase in provisions as a result of the negative impact of lock down policies on recovery processes (recoveries and sales of seized vehicles that have been nearly stopped) and the slight increase in the share of non-performing outstanding receivables.

For the Dealer business (financing for dealerships), the cost of risk amounted to 0.38% of APA at June 2020 versus 0.13% the previous year, adversely affected by updated macro-economic forecasts in the context of forward-looking provisioning for IFRS 9.

The total cost of risk amounted to 0.99% of APA versus 0.40% in the first half of 2019.

Pre-tax income amounted to €473 million, down 22.1% compared with the same period last year. It is impacted by a negative exchange rate impact of €17.1 million linked to the devaluation of the Brazilian Real and the Argentine Peso.

Consolidated net income – parent company shareholders' share – amounted to €390 million at the end of June, versus €414 million in 2019.

BALANCE SHEET

In the first half of 2020, business activity was adversely impacted by the health crisis. The decrease in the number of financing granted to individuals and businesses leads to a decrease in net assets at the end⁽¹⁾. At the end of June 2020, it stood at €47.6 billion, compared to €48.8 billion at the end of June 2019 (-2.4%).

Consolidated equity amounted to €5,929 million, versus €5,636 million at the end of June 2019 (+5.2%).

Retail customer deposits in France, Germany, Austria, United Kingdom and Brazil (savings accounts and term deposits) totaled €18.6 billion at the end of June 2020, against €16.7 billion at the end of June 2019. They represented approximately 39% of net assets at the end of June 2020.

PROFITABILITY

ROE⁽²⁾ was down to 14.1% from 16.2% in June 2019. This is impacted by the rise in the cost of risk and the average net equity increase due to first half-year results and residual 2019 dividend cancellation.

SOLVENCY

The capital ratio⁽³⁾ Core Equity Tier One was 15.7 % at end-June 2020, against 14.4 % published at end-December 2019⁽⁴⁾. Main impacts⁽⁵⁾ came from the cancellation of the 2019 residual dividend and generation of organic capital⁽⁶⁾. The total capital ratio stood at 18.1% at June 30, 2020.

Consolidated income statement (in millions of euros)	06/2020	06/2019	12/2019	12/2018
Net banking income	1,010	1,008	2,096	1,930
General operating expenses *	(308)	(317)	(603)	(575)
Cost of risk	(236)	(93)	(177)	(145)
Share in net income (loss) of associates and joint ventures	10	10	21	15
Gains or losses on non-current assets **			(2)	
Income (loss) on exposure to inflation ***	(3)	(1)	(8)	(10)
PRE-TAX INCOME	473	607	1,327	1,215
CONSOLIDATED NET INCOME (parent company shareholder's share)	390	414	903	858

* Including: a provision for work exemption and depreciation, amortization and impairment of tangible and intangible non-current assets.

** Capital losses on disposal of subsidiaries.

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

Consolidated balance sheet (in millions of euros)	06/2020	06/2019	12/2019	12/2018
Total net outstandings of which	46,270	47,655	49,817	45,956
Customer loans	22,633	24,051	24,733	23,340
Finance leases	13,772	12,770	13,439	11,729
Dealer financing	9,865	10,834	11,645	10,887
Expenses related to operating lease transactions	1,330	1,129	1,227	974
Other assets	9,686	7,815	7,036	6,464
Own equity (including net income for the year) of which	6,800	5,649	6,569	5,320
Shareholders' equity	5,929	5,636	5,702	5,307
Subordinated debt	871	13	867	13
Bonds	18,846	20,108	18,825	18,903
Negotiable debt securities (CD, CP, BT, BMTN)	1,144	1,368	1,948	1,826
Securitization	2,801	3,518	3,243	2,780
Customer saving accounts - Ordinary saving accounts	13,096	12,585	13,003	12,120
Term deposits (retail)	5,463	4,133	4,708	3,743
Amounts payable to credit institutions, central banks and other amounts payable to customers (including Schuldschein)	5,530	6,105	6,374	5,849
Other liabilities	3,605	3,133	3,410	2,853
TOTAL BALANCE SHEET	57,286	56,599	58,080	53,394

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

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

(3) Ratio including the interim profits net of provisional dividends, subject to regulator's approval in accordance with Article 26 § 2 of Regulation (EU) 575/2013.

(4) After €300m residual 2019 dividend cancellation, the CET1 ratio reached 15.3% at end-December 2019 (+86bps).

(5) TRIM related headwinds globally in line with expectations reported in February 2020 and compensated by activation of certain CRR options (netting of deferred tax, Credit Conversion Factor).

(6) Net profit minus planned 2020 dividend distribution (+40 bps).

FINANCIAL POLICY

During the reporting period, markets were profoundly affected by the Covid-19 health crisis. The widespread intervention of central banks and the gradual relaxation of lockdown measures resulted in the normalization of market conditions from the end of May.

Initially concentrated in China and Asia, the coronavirus epidemic has spread across the globe. Between March and April 2020 fears of a major health crisis led many countries to introduce strict lockdown measures. These measures were extended through May and have had a major impact on economic activity and consumption.

In this context, investors have reduced the risk exposure of their portfolios. Equity indices dropped sharply before regaining part of their losses. The Euro Stoxx 50 ended the first six months of the year down 7%. Corporate bond spreads⁽¹⁾ also widened, from 70 bps in January to 200 bps at the end of March, before falling back to 160 bps at the end June.

In order to prevent this health crisis from turning into a severe economic crisis, the major central banks have taken far-reaching monetary policy measures.

In the United States, the Federal Reserve resumed its asset purchase program comprising state, municipal and corporate bonds, mortgage securities and securitizations totaling US\$2,600 billion. It also cut the Fed Funds rate to 0-0.25%, a 150 bps drop since early March and announced that it is planning on keeping them at a level close to 0 until at least 2022.

The European Central Bank announced a new emergency purchase program in response to the pandemic. With an initial announcement of €750 billion, the Pandemic Emergency Purchase Programme or PEPP was subsequently increased to €1,350 billion. The terms of TLTRO III were also relaxed with a reduction in rates and an easing of growth targets the banks must reach in order to be eligible for the reduced rate.

The Bank of England followed in the footsteps of the FED and the ECB and cut its base rate in two stages from 75 bps to 10 bps and strengthened its purchase program for government bonds and non-bank investment grade corporate bonds by £200 billion in March 2020.

Over the half-year, market funding has been modest and the company has been relatively unaffected by the increased cost of financing. This situation is the result of lower bond redemption in 2020 than in previous years (anticipation of TLTRO II refinancing launched in 2016), the slump in automotive sales and the lower volume of new lending as a result.

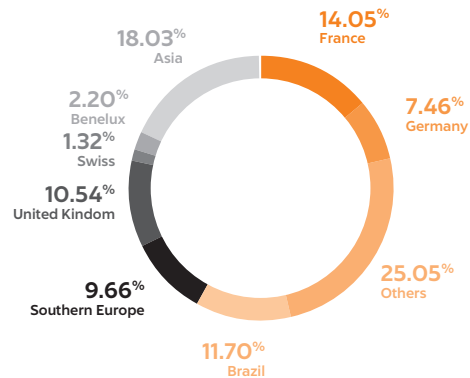
A 7-year fixed-rate €750 million bond was issued in January.

In the secured refinancing segment, an additional year was added to revolving terms in the United Kingdom for private auto-loan securitizations and in Germany for leasing agreements. These operations were renewed for £800 million in the United Kingdom and €358 million in Germany.

Private customer deposits increased by €0.9 million since December 2019 to reach €18.6 billion at 30 June 2020, representing 39% of sources of refinancing.

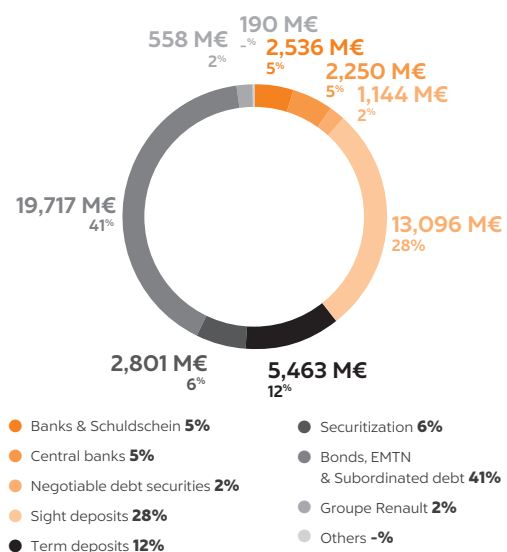
GEOGRAPHICAL BREAKDOWN OF NEW RESOURCES WITH A MATURITY OF ONE YEAR OR MORE (EXCLUDING DEPOSITS AND TLTRO)

as at 30/06/2020



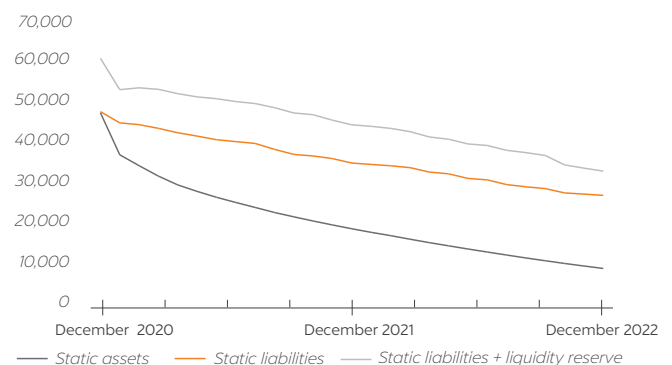
STRUCTURE OF TOTAL DEBT

as at 30/06/2020



STATIC LIQUIDITY⁽²⁾

(in millions euros)



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

(1) Iboxx Corporate index.

(2) Scope: Europe.

FINANCIAL POLICY

These resources, to which should be added, for the European scope, €4.5 billion in undrawn confirmed credit lines, €3.6 billion in assets eligible as collateral in ECB monetary policy operations, €5.0 billion in high quality liquid assets (HQLA) and €0.4 billion in financial assets, enable RCI Banque to maintain the financing granted to its customers for over 15 months without access to external sources of liquidity.

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

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

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

At 30 June 2020, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

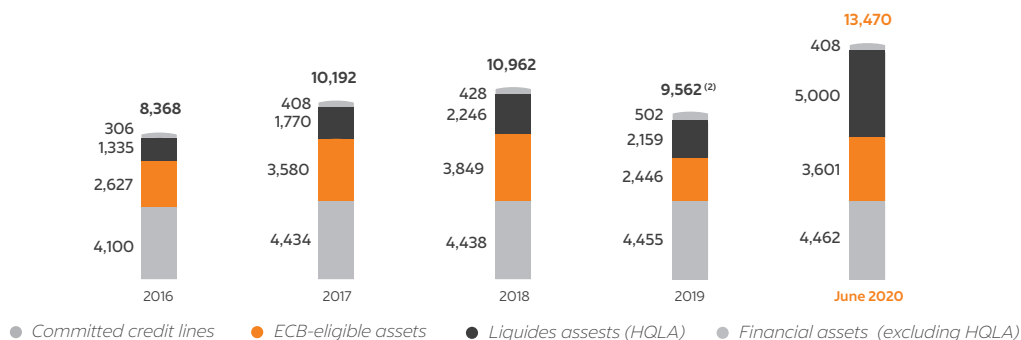
- -€6.5 million in EUR;
- +€5.9 million in GBP;
- +€1.3 million in MAD;
- +€0.6 million in CHF;
- +€0.4 million in KRW;
- +€0.3 million in PLN;
- -€0.6 million in BRL;
- +€0.1 million in RON;
- +€0.2 million in CZK;
- +€0.1 million in ARS.

The absolute sensitivity values in each currency totaled €16.1 million.

The groupe RCI Banque's consolidated foreign exchange position⁽¹⁾ totaled €5.3 million.

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

LIQUIDITY RESERVE ⁽¹⁾



(1) Scope: Europe.

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

RCI Banque group's programs and issuances

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

Issuer	Instrument	Market	Amount	S & P	Moody's	Other
RCI Banque S.A.	Euro CP Program	euro	€2,000 million	A-2	P2	
RCI Banque S.A.	Euro MTN Program	euro	€23,000 million	BBB (negative outlook)	Baa2 (negative outlook)	
RCI Banque S.A.	NEU CP ⁽¹⁾ Program	French	€4,500 million	A-2	P2	
RCI Banque S.A.	NEU MTN ⁽²⁾ Program	French	€2,000 million	BBB (negative outlook)	Baa2 (negative outlook)	
Diac S.A.	NEU CP ⁽¹⁾ Program	French	€1,000 million	A-2		
Diac S.A.	NEU MTN ⁽²⁾ Program	French	€1,500 million	BBB (negative outlook)		
RCI Banque S.A.	TIER 2 Subordinated Notes n°19-517	euro	€850 million	BB	Ba2 (negative outlook)	
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS 6,000 million		Ba2.ar (under revision)	Fix Scr: AA (arg) (negative outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW 1,610 billion ⁽³⁾			KR, KIS, NICE : A+
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL 3,246 million ⁽³⁾		Aa2.br (stable outlook)	
RCI Finance Maroc	BSF Program	Moroccan	MAD 2,500 million			
RCI Leasing Polska	Bond Program	Polish	PLN 500 million			
RCI Colombia S.A. Compañia de Financiamiento	CDT : Certificado de Depósito a Término	Colombian	COP 588 billion ⁽³⁾	AAA.co		

(1) Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.

(2) Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Note.

(3) Outstandings.



STATUTORY AUDITORS' REPORT



KPMG S.A.
Tour EQHO
2 Avenue Gambetta
CS 60055
92066 Paris la Défense Cedex
S.A. au capital de € 5 407 100
775 726 417 R.C.S. Nanterre

MAZARS
Tour EXALTIS
61, rue Henri Regnault
92075 Paris La Défense Cedex
S.A. à directoire et conseil de surveillance au
capital de € 8 320 000
784 824 153 R.C.S. Nanterre

RCI BANQUE

Statutory Auditors' Review Report on the Half-yearly Financial Information

For the period from January 1 to June 30, 2020

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

RCI BANQUE

*Half-yearly
Financial
Information*

*Period from
01/01/2020 to
06/30/2020*

Statutory Auditors' Review Report on the Half-yearly Financial Information

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of RCI Banque, for the period from January 1 to June 30, 2020,
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements were prepared under the responsibility of the Board of Directors on July 24, 2020 on the basis of the information available at that date in the evolving context of the crisis related to Covid-19 and of difficulties in assessing its impact and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

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

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

RCI BANQUE

*Half-yearly
Financial
Information*

*Period from
01/01/2020 to
06/30/2020*

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review prepared on July 24, 2020.

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

Paris La Défense, July 30, 2020

The Statutory Auditors

French original signed by

KPMG S.A.

Ulrich SARFATI
Partner

MAZARS

Anne VEAUTE
Partner



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

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CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	06/2020	12/2019
Cash and balances at central banks	2	4 478	1 527
Derivatives	3	215	177
Financial assets at fair value through other comprehensive income	4	1 093	1 364
Financial assets at fair value through profit or loss	4	239	105
Amounts receivable at amortised cost from credit institutions	5	1 279	1 279
Loans and advances at amortised cost to customers	6 et 7	46 805	50 582
Current tax assets	8	62	16
Deferred tax assets	8	176	171
Tax receivables other than on current income tax	8	175	245
Adjustment accounts & miscellaneous assets	8	1 125	1 069
Investments in associates and joint ventures		137	142
Operating lease transactions	6 et 7	1 330	1 227
Tangible and intangible non-current assets		91	92
Goodwill		81	84
TOTAL ASSETS		57 286	58 080

LIABILITIES AND EQUITY - In millions of euros	Notes	06/2020	12/2019
Central Banks	9.1	2 250	2 700
Derivatives	3	104	92
Amounts payable to credit institutions	9.2	2 536	2 780
Amounts payable to customers	9.3	19 303	18 605
Debt securities	9.4	22 791	24 016
Current tax liabilities	10	173	129
Deferred tax liabilities	10	586	588
Taxes payable other than on current income tax	10	30	33
Adjustment accounts & miscellaneous liabilities	10	2 071	1 895
Provisions	11	173	185
Insurance technical provisions	11	469	488
Subordinated debt - Liabilities	13	871	867
Equity		5 929	5 702
- <i>Of which equity - owners of the parent</i>		5 882	5 649
<i>Share capital and attributable reserves</i>		814	814
<i>Consolidated reserves and other</i>		5 169	4 271
<i>Unrealised or deferred gains and losses</i>		(491)	(339)
<i>Net income for the year</i>		390	903
- <i>Of which equity - non-controlling interests</i>		47	53
TOTAL LIABILITIES & EQUITY		57 286	58 080

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	06/2020	06/2019	12/2019
Interest and similar income	19	1 018	1 100	2 196
Interest expenses and similar charges	20	(332)	(380)	(744)
Fees and commission income	21	300	301	605
Fees and commission expenses	21	(109)	(113)	(234)
Net gains (losses) on financial instruments at fair value through profit or loss		(6)	(20)	22
Income of other activities	22	476	483	1 028
Expense of other activities	22	(337)	(363)	(777)
NET BANKING INCOME		1 010	1 008	2 096
General operating expenses	23	(299)	(308)	(585)
Depreciation and impairment losses on tangible and intangible assets		(9)	(9)	(18)
GROSS OPERATING INCOME		702	691	1 493
Cost of risk	24	(236)	(93)	(177)
OPERATING INCOME		466	598	1 316
Share in net income (loss) of associates and joint ventures		10	10	21
Gains less losses on non-current assets				(2)
Impact of Profit & Loss for Subsidiaries in Hyperinflation Context		(3)	(1)	(8)
PRE-TAX INCOME		473	607	1 327
Income tax	25	(78)	(180)	(392)
NET INCOME		395	427	935
Of which, non-controlling interests		5	13	32
Of which owners of the parent		390	414	903
Number of shares		1 000 000	1 000 000	1 000 000
Net Income per share (1) in euros		390,33	414,47	902,52
Diluted earnings per share in euros		390,33	414,47	902,52

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	06/2020	06/2019	12/2019
NET INCOME	395	427	935
Actuarial differences on post-employment benefits	(3)	(7)	(16)
<i>Total of items that will not be reclassified subsequently to profit or loss</i>	<i>(3)</i>	<i>(7)</i>	<i>(16)</i>
Unrealised P&L on cash flow hedge instruments	(10)	(22)	(14)
Unrealised P&L on financial assets		1	
Exchange differences	(147)	(13)	15
Other unrealised or deferred P&L			6
<i>Total of items that will be reclassified subsequently to profit or loss</i>	<i>(157)</i>	<i>(34)</i>	<i>7</i>
Other comprehensive income	(160)	(41)	(9)
TOTAL COMPREHENSIVE INCOME	235	386	926
Of which Comprehensive income attributable to non-controlling interests	(3)	11	29
Of which Comprehensive income attributable to owners of the parent	238	375	897

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital	Attribut. reserves	Consolid. reserves	Translation adjust.	Unrealized or deferred P&L	Net income	Equity	Equity	Total Consolidated equity
	(1)	(2)		(3)	(4)	(Shareholders of the parent company)	(Shareholders of the parent company)	(Non-controlling interests)	
Equity at 31 December 2018	100	714	3 923	(313)	(20)	858	5 262	45	5 307
Appropriation of net income of previous year			858			(858)			
Equity at 1 January 2019	100	714	4 781	(313)	(20)		5 262	45	5 307
Change in value of financial instruments recognized in equity					(18)		(18)	(3)	(21)
Actuarial differences on defined-benefit pension plans					(7)		(7)		(7)
Exchange differences				(14)			(14)	1	(13)
Net income for the year (before appropriation)						414	414	13	427
Total comprehensive income for the period				(14)	(25)	414	375	11	386
Effect of acquisitions, disposals and others								1	1
Dividend for the period			(50)				(50)	(11)	(61)
Repurchase commitment of non-controlling interests								3	3
Equity at 30 June 2019	100	714	4 731	(327)	(45)	414	5 587	49	5 636
Change in value of financial instruments recognized in equity					14		14	(1)	13
Actuarial differences on defined-benefit pension plans					(9)		(9)		(9)
Exchange differences				28			28		28
Net income for the year (before appropriation)						489	489	19	508
Total comprehensive income for the period				28	5	489	522	18	540
Effect of acquisitions, disposals and others			(2)				(2)	(2)	(4)
Dividend for the period			(450)				(450)		(450)
Repurchase commitment of non-controlling interests			(8)				(8)	(12)	(20)
Equity at 31 December 2019	100	714	4 271	(299)	(40)	903	5 649	53	5 702
Appropriation of net income of previous year			903			(903)			
Equity at 1 January 2020	100	714	5 174	(299)	(40)		5 649	53	5 702
Change in value of financial instruments recognized in equity					(8)		(8)	(2)	(10)
Actuarial differences on post-employment benefits					(3)		(3)		(3)
Exchange differences				(141)			(141)	(6)	(147)
Net income for the year (before appropriation)						390	390	5	395
Total comprehensive income for the period				(141)	(11)	390	238	(3)	235
Effect of acquisitions, disposals and other			(5)				(5)	(1)	(6)
Dividend for the period (5)								(11)	(11)
Repurchase commitment of non-controlling interests								9	9
Equity at 30 June 2020	100	714	5 169	(440)	(51)	390	5 882	47	5 929

- (1) The share capital of RCI Banque S.A. (100 million euros) consists of 1,000,000 fully paid up shares with par value of 100 euros each, of which 999,999 shares are owned by Renault s.a.s.
- (2) Attributable reserves include the share premium account of the parent company.
- (3) The translation adjustment balance booked at 30 June 2020 relates primarily to Argentina, Brazil, Colombia, South Korea, United Kingdom, Russia and Turkey. At 31 December 2019, it mainly related to Argentina, Brazil, South Korea, Russia, Turkey, United Kingdom, Switzerland, Poland and Morocco.
- (4) Includes the fair value of derivatives used as cash flow hedges and fair value on debt instrument for -€26 and IAS 19 actuarial gains and losses for -€25m at end June 2020.
- (5) Distribution outside the group of dividends by companies in which non-controlling interests are held.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	06/2020	06/2019	12/2019
Net income attributable to owners of the parent company	390	414	903
Depreciation and amortization of tangible and intangible non-current assets	9	9	17
Net allowance for impairment and provisions	165	89	92
Share in net (income) loss of associates and joint ventures	(10)	(10)	(21)
Deferred tax (income) / expense	(14)	10	98
Net loss / gain from investing activities	1	2	7
Net income attributable to non-controlling interests	5	13	32
Other (gains/losses on derivatives at fair value through profit and loss)	(2)	28	30
Cash flow	544	555	1 158
Other movements (accrued receivables and payables)	175	51	53
Total non-monetary items included in net income and other adjustments	329	193	308
Cash flows on transactions with credit institutions	(460)	135	557
- Inflows / outflows in amounts receivable from credit institutions	(30)	18	(52)
- Inflows / outflows in amounts payable to credit institutions	(430)	117	609
Cash flows on transactions with customers	3 302	(984)	(2 554)
- Inflows / outflows in amounts receivable from customers	2 345	(1 881)	(4 210)
- Inflows / outflows in amounts payable to customers	957	897	1 656
Cash flows on other transactions affecting financial assets and liabilities	(635)	681	105
- Inflows / outflows related to AFS securities and similar	71	(518)	(432)
- Inflows / outflows related to debt securities	(822)	1 366	406
- Inflows / outflows related to collections	116	(167)	131
Cash flows on other transactions affecting non-financial assets and liabilities	29	(6)	(38)
Net change in assets and liabilities resulting from operating activities	2 236	(174)	(1 930)
Net cash generated by operating activities (A)	2 955	433	(719)
Flows related to financial assets and investments	5	(1)	81
Flows related to tangible and intangible non-current assets	(9)	(8)	(14)
Net cash from / (used by) investing activities (B)	(4)	(9)	67
Net cash from / (to) shareholders	(11)	(61)	339
- Outflows related to repayment of Equity instruments and subordinated borrowings			850
- Dividends paid	(11)	(61)	(511)
Net cash from / (used by) financing activities (C)	(11)	(61)	339
Effect of changes in exchange rates and scope of consolidation on cash and equivalent	(87)	7	(10)
Change in cash and cash equivalents (A+B+C+D)	2 853	370	(323)
Cash and cash equivalents at beginning of year:	2 469	2 792	2 792
- Cash and balances at central banks	1 494	2 018	2 018
- Balances in sight accounts at credit institutions	975	774	774
Cash and cash equivalents at end of year:	5 322	3 162	2 469
- Cash and balances at central banks	4 457	2 329	1 494
- Credit balances in sight accounts with credit institutions	1 101	1 069	1 110
- Debit balances in sight accounts with credit institutions	(236)	(236)	(135)
Change in net cash	2 853	370	(323)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The condensed consolidated interim financial statements of the RCI Banque S.A. group for the six months ended 30 June relate to the Company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The summary consolidated financial statements of the RCI Banque group for the six months to 30 June 2020 were established by the Board of Directors on 24 July 2020 which authorized their publication.

The RCI Banque group's consolidated financial statements for the year 2019 were established by the Board of Directors on 5 February 2020 and approved at the General Meeting on 29 April 2020. It has been decided to pay a dividend of €450 million on 2019 earnings to the Renault shareholder and to allocate €300 million in reserves.

An interim dividend of €450 million was paid on December 5, 2019 following a decision by the Board of Directors.

The decision to allocate €300 million in reserves was taken in line with the ECB's recommendation to banking institutions on March 27, 2020 not to pay dividends due to exceptional measures related to the Covid-19 pandemic.

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

2. KEY HIGHLIGHTS

- Nissan Europe Cooperation Agreement :

The cooperation agreement with Nissan in Europe expires on December 31, 2021. Negotiations to define the terms of a new agreement are ongoing.

- Covid-19 health crisis :

The Covid-19 health crisis affected the global economy in the first half of 2020. In France this crisis led to a 2-month lockdown resulting in an economic downturn. The consequences of this event within the RCI group are set out below.

- Business: Closure of dealerships during lockdown;
Absence of collection activity in the field and auction houses not operating for the resale of vehicles.
- Operational: Introduction of remote working extended to all employees
Use of furlough measures
- Effect of moratoriums on interest revenue:

Owing to the introduction of lockdown measures in many countries, in some cases customers were offered concessions (interest or rent): Payment terms changed from 3 months to 6 months, changing invoice due dates in accounting systems.

In accordance with paragraph 5.4.3 of IFRS 9 which specifies that, where the contractual cash flow of a financial asset is renegotiated or otherwise modified, and the renegotiation or modification does not result in the derecognition of that financial asset, the entity must recalculate the gross carrying amount of the asset in question and recognize a modification gain or loss under profit or loss. Overall analysis of countries in which Groupe RCI has subsidiaries has not revealed material losses to be recorded under revenue as a result of these changes.

NB: RCI Banque does not fall under the government- backed loan scheme (PGE).

Information on outstandings subject to moratoriums

Geographical Area	Customers		Dealer financing		Global	
	Outstandings	Provisions	Outstandings	Provisions	Outstandings	Provisions
Europe	3 792	57	1 254	8	5 046	65
of which Germany	88	1	203	1	290	2
of which Spain	75	2	142	2	218	4
of which France	3 118	41	267	1	3 385	41
of which Italy	212	6	305	3	517	10
of which United Kingdom	131	4	186	0	316	4
o/w other countries	169	3	152	2	321	4
Eurasia	32	0	-	-	32	0
Africa - Middle-East - India	110	4	41	0	151	5
Asia-Pacific	4	-	-	-	4	-
Americas	262	7	42	0	304	8
of which Argentina	3	-	1	0	3	0
of which Brazil	110	5	40	0	150	6
of which Colombia	149	2	1	0	151	2
Global	4 200	69	1 337	9	5 537	78

As of the end of June, within our Customers portfolio (excluding dealers), total current exposure subject to extensions of payments not overdue stood at €4,200 million. This figure includes €3,118 million in payment holidays granted by default¹ in France to all businesses with a vehicle on finance.

Within Dealer financing, total current exposure subject to extensions of payments not overdue amounted to €1,337 million. A payment has already been made to RCI by a significant proportion of dealers granted payment extensions during lockdown owing primarily to the resumption of vehicle sales in Europe.

➤ Impairment test

Impairment tests did not reveal any impairment on goodwill or on other financial assets.

NB: It was not necessary to alter the test methodology in the wake of Covid-19.

➤ Cost of risk

IFRS 9 introduces the notion of forward looking into the credit risk-related expected loss (ECL) calculation. Through this notion, new requirements in terms of monitoring and measuring credit risk are introduced with the use of forward-looking data, in particular macroeconomic data. The principles for calculating provisions for credit risk are described in Section 4.3.3.5 of the 2019 annual report.

In the absence of reliable projections factoring in the impact of Covid-19 in forward-looking scenarios used to calculate Expected Credit Losses, in light of past data and given the intervention of governments, the ESMA recommends giving the most weighting to the scenario of long-term stability of the economic environment. In line with ESMA guidelines, RCI Banque reinforced the preponderance of the “stability” scenario while increasing the weighting of the “adverse” scenario and sharply reducing that of the “baseline” scenario (the most optimistic) compared to the level retained as of

¹ Moratorium systematically granted by default to all Diac and Diac Location corporate customers in order to relieve customer relations platforms in the early days of lockdown. Any customers not wishing to benefit from these payment extensions were able to request that their payment schedule remain in place.

December 2019. These measures have resulted in a €26 million increase in forward-looking provisions, chiefly attributable to the dealer financing business.

Losses given default used to calculate the provisions have been affected by the health crisis with the collection and sale of repossessed vehicles having come to a near standstill during lockdown. The increase in LGD has resulted in an increase in the provisioning rate for receivables with a significant increase in credit risk since initial recognition (B2) from 5.3 to 7.1%, with (B1) hedging of healthy receivables increasing from 0.5 to 0.7%. The proportion of defaulted receivables is up slightly at 1.5% of outstandings versus 1.3% at end-2019, with a very slight increase in their provisioning rate. These factors have led to increased provision for credit risk.

In total, the impairment allowance increased by €138 million compared with December 2019, of which €26 million in respect of updates to the forward-looking data. This increase is largely due to the impact of Covid-19.

The breakdown of customer loans and provisions associated with each IFRS 9 category is detailed in notes 7 and 24.

NB :

- **Limitation of LGD observations**

Management opted to freeze the LGD statistics at the end of March in the case of France (impact not recognized in the model owing to this LGD freeze of €23.8 million) and at the end of May in the case of Italy (€1.8 million) as operational constraints impacting collection during lockdown do not reflect actual collection activity.

- **Expertise provision on moratoria**

Additional provision was made for all exposures that were subject to payment extensions during lockdown (from March to May), irrespective of whether this exposure was written off under forbearance. The method used involved doubling the provision calculated at the end of May 2020 based on the IFRS 9 methodology in place; the adjustment represents an expense of €44 million, with customer outstandings in the order of €4.5 billion at that date.

This brings the coverage ratio for these outstandings to a higher level than the average B1+B2 coverage ratio.

- **Assets classified by bucket following ESMA recommendations**

The downgrading from one bucket to another (and particularly from bucket 1 to bucket 2) must not be systematic due to the application of forbearance, but it must be the subject of analysis (on an individual or collective basis) of counterparties in order to differentiate between those suffering real impairment of credit risk over the lifespan of the asset and those encountering "temporary liquidity problems".

In groupe RCI Banque this analysis was conducted on a case-by-case basis without resorting to systematic downgrading (see Note 7.1)

3. ACCOUNTING RULES AND METHODS

The interim financial statements for the six months to 30 June 2020 were prepared in accordance with the principles set out in IAS 34 "Interim Financial Reporting". They do not include all the information required when preparing annual consolidated financial statements and must therefore be read in conjunction with the financial statements for the year ended 31 December 2019.

The RCI Banque group's financial statements for the year ended 31 December 2019 were prepared in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) as at 31 December 2019 and as adopted in the European Union by the statement closing date. With the exception of the changes indicated hereafter, the accounting rules and methods used are identical to those applied in the consolidated financial statements for the year ended 31 December 2019.

A – Changes in accounting policies

The RCI Banque group applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2020.

➤ New regulations that must be applied at January 1, 2020

Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate reform – Phase 1
Amendments to IAS 1 and IAS 8	Definition of material
Amendment to IFRS 3	Definition of a "business"
Conceptual framework	Changes to references in IFRS to the Conceptual Framework
IFRS 9 phase 3 ⁽¹⁾	Forward-looking hedge accounting

The other standards and amendments application of which has been mandatory since 1 January 2020 are without significant impact on the group's financial statements.

⁽¹⁾ This application has no material impact on the Group's financial statements but enables groupings of a debt and derivative to be classified as hedged items.

➤ New text publicized by IASB for application in 2020 and not yet published in the Official Journal of the European Union.

IFRS 16	Amendment to IFRS 16 "Covid-19-related rent concessions"
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On May 28, 2020, the IASB published an amendment to IFRS 16, "Covid-19-related rent concessions" effective from June 1, 2020, which has yet to be approved by the European Union. The text proposes an optional exemption for lessees which allows rent reductions obtained when entering into concession agreements with lessors to be recognized under profit or loss. This measure applies to payments of rental charges initially due on June 30, 2021 or before. Lessees can choose to apply the provisions of the unamended IFRS 16 which involves performing a detailed analysis of concession agreements and treating them as contract modifications where appropriate. Groupe RCI has not applied the amendment to IFRS 16 in the financial statements at June 30, 2020. Concessions granted to the Group have not had a material impact..

➤ Published standards and amendments that are not yet applicable

IFRS 17	Insurance contracts
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IFRS 17 Insurance Contracts was published on May 18, 2017 by the IASB. Subject to its adoption by the European Union, it will become effective in 2023. It replaces the current IFRS 4.

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

B. Estimates and judgments

Given the particular reporting context and the impact of Covid-19, changes have been made to the judgements and assumptions used in relation to December 2019, in respect of:

- **Forward-looking data** (see paragraph "Cost of risk" in section 2. KEY HIGHLIGHTS)
- **Provision estimation models:**
Estimation models have not been adapted. However, the parameters used in the models have been updated to incorporate the impact of Covid-19.

Aside from the two points above, the main areas of judgements and estimations in preparing the condensed consolidated financial statements for the period ending June 30, 2020 are identical to those set out in Note 4.3.3 to the 2019 annual financial statements.

C. Changes in presentation

In 2020, there are no changes in presentation compared with the previous year.

4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

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

Liquidity

RCI Banque pays close attention to the diversification of its sources of liquidity. Since the onset of the financial crisis, the company has significantly diversified its sources of funding. Beyond the legacy base of bondholder investors in euros, new areas of distribution have been successfully tapped.

The extension to eight years of maximum maturities issued in Euros has brought in new investors in search of duration. Furthermore, the group refinances itself on capital markets in numerous currencies (GBP, CHF, BRL, ARS, KRW, MAD, COP, etc.), both to fund European assets and to support development outside Europe.

Funding through securitization, whether private or public, is also broadening the investor base.

Lastly, the deposit taking business, launched in February 2012 and now rolled out in five countries, completes this diversification strategy, enabling the company to meet the liquidity coverage requirements imposed by Basel III standards.

RCI Banque's liquidity risk management factors in the recommendations of the European Banking Authority (EBA) and the European Central Bank (ECB) concerning the Internal Liquidity Adequacy Assessment Process (ILAAP) and is based on the following elements:

- **Risk appetite:** This is defined by the Risks Committee of the Board of Directors.
- **Refinancing:** The financing plan is constructed from a perspective of diversified access to liquidity, by product, by currency and by maturity. Funding requirements are regularly reassessed to adjust the financing plan.
- **Liquidity reserve:** The company aims to always have a liquidity reserve in line with its liquidity risk appetite. The liquidity reserve comprises confirmed undrawn lines of credit, collateral qualifying for the ECB's monetary policy operations, high-quality liquid assets (HQLAs) and financial assets. It is reviewed every month by the Finance Committee.
- **Transfer price:** The Group's European entities are primarily refinanced by the Group Cash department, which centralizes liquidity management and pools costs. Internal liquidity costs are reviewed at regular intervals by the Finance Committee and are used by the trading subsidiaries to construct their pricing.
- **Stress scenarios:** The Finance Committee is advised every month of the time scale during which it can guarantee continuity of business by using its liquidity reserve in various stress scenarios. Stress scenarios include estimates of flights of deposits, loss of access to new sources of funds, partial unavailability of certain items of the liquidity reserve and forecasts of new loans. Stress-tested assumptions of flights of deposits are very conservative and are regularly back-tested.
- **Emergency plan:** An established emergency plan identifies what actions are required in the event of stress on the liquidity position.

Risk in respect of the lending business

Following the imposition of lockdown in almost all countries in which RCI Banque is present, re-establishing the smooth operation of the collection of doubtful or delinquent receivables has become a priority.

The move towards remote working was initially accompanied by a loss of efficiency which was gradually corrected. The teams dedicated to these activities was reinforced whether with internal staff or collection service provider resources allocated to the RCI Banque business.

In countries that have granted a large number of payment extensions, additional staff were mobilized (in France and Brazil in particular) or are planned for the end of the moratoriums (in Italy for example).

In terms of underwriting risk, an action plan has been produced in anticipation of the expected deterioration of the economic environment. Following a country-by-country estimation of this potential deterioration, the strategy to maintain production profitability will be based on three strands:

- The introduction of additional checks and sector-based loan policies (corporate clients or employer of a retail customer).

- Adjusting default probability targets downwards.
- Increased pricing, mostly in South American countries where the practice of "risk-based pricing" is widespread.

With the economic outlook remaining uncertain, management of the underwriting policy will continue to be adjusted regularly according to the risk observed and forecasts and stress on the main countries by market (retail customers, corporates).

Despite a very unfavorable context, RCI Banque's objective is to maintain overall credit risk at a level compatible with the expectations of the financial community and profitability targets.

Profitability

RCI Banque regularly reviews the internal liquidity costs it uses to price customer transactions, thereby maintaining a margin on new loans in line with budget targets. Similarly, the pricing of funds granted to dealerships is indexed on the internal base rate reflecting the cost of funds borrowed and the liquidity cushions needed for business continuity. This method maintains the constant profitability of this line of business.

Governance

Liquidity indicators are specifically reviewed at each monthly meeting of the financial committees. The countries' executive committees also systematically monitor the risk and estimated instantaneous margin indicators, which complete the customary profitability assessments of the subsidiaries.

Exposure to non-commercial credit risk

The counterparty risk results from cash surpluses invested in the form of short-term deposits or monetary fund purchases, and from the creation of a portfolio of corporate bonds, the average duration of which was less than two years at 30/06/2020.

These investments are made with first-rate banks, monetary funds or high-quality corporate bonds already authorized by the Finance Committee. RCI Banque also pays close attention to the diversification of counterparties.

Furthermore, to meet regulatory requirements resulting from the implementation of the 30-day Liquidity Coverage Ratio (LCR), RCI Banque invests in liquid assets as defined in the Delegated Act of the European Commission. These liquid assets primarily include deposits with the European Central Bank and state or supranational securities. The average duration of these security holdings was less than one year at 30/06/2020.

Moreover, RCI Banque has also invested in a fund whose assets comprise debt securities issued by European agencies, states and supranational issuers. Its average exposure to credit risk is six years, with a limit at nine years. The fund aims for zero exposure to interest-rate risk with a maximum of two years.

Furthermore, hedging against interest-rate or exchange risk with derivatives can give rise to counterparty risk. Nevertheless, the group is subject to the EMIR (European Market Infrastructure Regulation); accordingly, in Europe, derivatives are subject to the counterparty risk mitigation through collateral swaps either bilaterally or vis-à-vis a clearing house.

Macroeconomic environment

In the course of the half year, the markets were profoundly affected by the Covid-19 health crisis. The mass intervention of central banks and gradual relaxing of lockdown measures have permitted market conditions to return to normal from the end of May.

The coronavirus epidemic was initially concentrated in China and Asia before spreading worldwide. Between March and April 2020, fears of a major health crisis led many countries to implement strict lockdown measures. These measures were extended until May and had a major impact on economic activity and consumption.

In this context, investors have reduced the risk exposure of their portfolios. Share indexes fell sharply before a partial upturn. The Eurostoxx50 ended the six months period down 7%.

Corporate bond spreads (IBOXX corporate overall index) also widened, from 70 bps in January to 200 bps at the end of March, before falling back to 160 bps at the end of June.

In order to prevent this health crisis from triggering a major economic crisis, the big central banks have taken sweeping monetary policy measures.

In the United States, the Federal Reserve reactivated an asset purchase program comprising government bonds, municipal bonds, corporate bonds, mortgage-backed securities and securitizations for a total of US\$2,600 billion. It also

dropped the Fed Funds rate to 0-0.25%, a reduction of 150 bps since the beginning of March and announced that it was planning on keeping it close to 0 until at least 2022.

In response to the pandemic, the European Central Bank announced a new emergency purchase program. Initially announced for €750 billion, the Pandemic Emergency Purchase Programme or PEPP was subsequently increased to €1,350 billion. The terms of TLTRO III were also eased, with a reduction in the rate and a downward recalibration of the growth targets that the banks must meet in order to benefit from the reduced rate.

The Bank of England followed in the footsteps of the FED and the ECB and reduced its base rate in two stages, from 75 bps to 10 bps and strengthened its government and non-bank investment grade corporate bond purchase program by £200 billion in March 2020.

5. REFINANCING

Over the six months, the recourse to market lending was modest and the company was largely unaffected by the increased cost of lending. This situation is the result of fewer bonds reaching maturity in 2020 compared with previous years (early refinancing of TLTRO launched in 2016), the slump in car sales and the reduced volume of new loans as a result.

A 7-years fixed rate €750 bond million was issued in January.

In the secure refinancing segment, the revolving periods for private car loan securitizations in the United Kingdom and leasing in Germany were extended by a further year. These operations were renewed for respective amounts of £800 million in the United Kingdom and €358 million in Germany.

Retail customer deposits have increased by €0.9 million since December 2019 to €18.6 billion at June 30, 2020, representing 38.9% of refinancing sources.

These resources, to which should be added, based on the Europe scope, €4.5 billion in undrawn committed credit lines, €3.6 billion in assets eligible as collateral under ECB monetary policy operations, €5.0 billion in high quality liquid assets (HQLA) and €0.4 billion in financial assets, enable RCI Banque to maintain the financing granted to its customers for over 15 months without access to external sources of liquidity.

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

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

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

At June 30, 2020, a 100-basis point rise in rates would have an impact on the group's net interest income (NII) of:

- -€6.5 million in EUR,
- +€5.9 million in GBP,
- +€1.3 million in MAD,
- -€0.6 million in CHF,
- +€0.4 million in KRW,
- +€0.3 million in PLN,
- -€0.6 million in BRL,
- +€0.1 million in RON,
- +€0.2 million in CZK,
- +€0.1 million in ARS.

The absolute sensitivity values in each currency totaled €16.1 million.

Groupe RCI Banque's consolidated forex position² was €5.3 million.

6. REGULATORY REQUIREMENTS

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

At 30 June 2020, the ratios calculated do not show any non-compliance with the regulatory requirements.

² Foreign exchange position excluding subsidiary holdings.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Segment information

In millions of euros	Customer	Dealer financing	Other	Total 06/2020
Average performing loan outstandings	36 651	10 327		46 978
Net banking income	800	130	80	1 010
Gross operating income	578	105	19	702
Operating income	363	86	17	466
Pre-tax income	371	85	17	473

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

In millions of euros	Customer	Dealer financing	Other	Total 06/2019
Average performing loan outstandings	35 441	10 315		45 756
Net banking income	809	130	69	1 008
Gross operating income	586	101	4	691
Operating income	508	95	(5)	598
Pre-tax income	518	95	(6)	607

Contributions by market are analyzed, for the different periods presented, for the main aggregates on the income statement and for average performing loans outstanding.

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

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

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

Note 2 : Cash and balances at central banks

In millions of euros	06/2020	12/2019
Cash and balances at central banks	4 457	1 494
Cash and balances at Central Banks	4 457	1 494
Term deposits at Central Banks	21	33
Accrued interest	21	33
Total cash and balances at central banks	4 478	1 527

Note 3 : Derivatives

In millions of euros	06/2020		12/2019	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	11	21	3	16
Interest-rate derivatives	1	11	1	5
Currency derivatives	10	10	2	11
Fair value of financial assets and liabilities recognized as derivatives used for hedging	204	83	174	76
Interest-rate and currency derivatives: Fair value hedges	198		162	3
Interest-rate derivatives: Cash flow hedges	6	83	12	73
Total derivatives	215	104	177	92

"Other derivatives" includes the adjustment for credit risk of -€1.207 million at 30 June 2020, which breaks down into an income of +€1.434 million for the DVA and an expense of -€0.227 million for the CVA. The adjustment of the CVA/DVA hedges the counterparty risk generated by non-offset derivatives.

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

Derivatives qualifying as cash flow hedging are backed by variable rate debts and, since the application of the third strand of IFRS 9 since January 2020, by groupings made up of a fixed-rate debt and payer variable swap.

Nominal values of derivative instruments by maturity and management intent

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 06/2020	<i>Related parties</i>
Hedging of currency risk					
<u>Forward forex contracts</u>					
Sales	918			918	
Purchases	913			913	
<u>Spot forex transactions</u>					
Loans	107			107	
Borrowings	107			107	
<u>Currency swaps</u>					
Loans	98	220		318	
Borrowings	92	223		315	
Hedging of interest-rate risk					
<u>Interest rate swaps</u>					
Lender	8 518	9 715	2 150	20 383	
Borrower	8 518	9 715	2 150	20 383	

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2019	<i>Related parties</i>
Hedging of currency risk					
<u>Forward forex contracts</u>					
Sales	1 192			1 192	
Purchases	1 178			1 178	
<u>Spot forex transactions</u>					
Loans	111			111	
Borrowings	111			111	
<u>Currency swaps</u>					
Loans	113	103		216	
Borrowings	116	101		217	
Hedging of interest-rate risk					
<u>Interest rate swaps</u>					
Lender	6 969	10 603	2 000	19 572	
Borrower	6 969	10 603	2 000	19 572	

Note 4 : Financial assets

In millions of euros	06/2020	12/2019
Financial assets at fair value through other comprehensive income	1 093	1 364
Government debt securities and similar	830	1 066
Bonds and other fixed income securities	262	297
Interests in companies controlled but not consolidated	1	1
Financial assets at fair value through profit or loss	239	105
Variable income securities	22	22
Bonds and other fixed income securities	214	80
Interests in companies controlled but not consolidated	3	3
Total financial assets (*)	1 332	1 469

(*) Of which related parties

4

4

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	06/2020	12/2019
Credit balances in sight accounts at credit institutions	1 101	1 110
Ordinary accounts in debit	1 014	1 073
Overnight loans	87	37
Term deposits at credit institutions	178	169
Term loans in bucket 1	118	109
Term loans in bucket 2	60	60
Total amounts receivable from credit institutions (*)	1 279	1 279

(*) Of which related parties

60

60

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

Current bank accounts held by the FCTs (*Fonds Commun de Titrisation*) contribute in part to the funds' credit enhancement. They totaled €611 million at end-June 2020 and are included in "Ordinary Accounts in debit".

Overnight loan transactions with Central Banks are included in "Cash and balances at Central Banks".

Note 6 : Customer finance transactions and similar

In millions of euros	06/2020	12/2019
Loans and advances to customers	46 805	50 582
Customer finance transactions	33 033	37 143
Finance lease transactions	13 772	13 439
Operating lease transactions	1 330	1 227
Total customer finance transactions and similar	48 135	51 809

At 30 June 2020, direct financing of Renault Group subsidiaries and branches amounted to €1,069 million against €874 million at 31 December 2019.

At 30 June 2020, the dealer network had, as a business contributor, collected income of €329 million against €473 million at 30 June 2019.

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the RCI Banque group. At 30 June 2020, this contribution amounted to €228 million against €325 million at 30 June 2019.

The gross value of forborne loans outstanding, further to measures and concessions made towards borrowers experiencing financial difficulties (or likely to experience financial difficulty in the future) came to €235 million and is impaired by €53 million at 30 June 2020. The share of restructuring linked to Covid-19 totaled €192 million (of which €187 million for Customers and €9 million for Dealer financing) and was subject to a total impairment allowance of €9 million, mainly for Customers.

6.1 - Customer finance transactions

In millions of euros	06/2020	12/2019
Loans and advances to customers	33 246	37 243
Healthy factoring	196	502
Factoring with a significant increase in credit risk since initial recognition	3	44
Other healthy commercial receivables	5	3
Other healthy customer credit	29 890	33 598
Other customer credit with a significant increase in credit risk since initial recognition	2 272	2 005
Healthy ordinary accounts in debit	398	617
Defaulted receivables	482	474
Interest receivable on customer loans and advances	73	91
Other non-defaulted customer credit	35	46
Non-defaulted ordinary accounts	34	41
Defaulted receivables	4	4
Total of items included in amortized cost - Customer loans and advances	438	447
Staggered handling charges and sundry expenses - Received from customers	(54)	(61)
Staggered contributions to sales incentives by manufacturer or dealers	(462)	(542)
Staggered fees paid for referral of business	954	1 050
Impairment on loans and advances to customers	(724)	(638)
Impairment on healthy receivables	(130)	(119)
Impairment on receivables with a significant increase in credit risk since initial recognition	(165)	(120)
Impairment on defaulted receivables	(334)	(320)
Impairment on residual value	(95)	(79)
Total customer finance transactions, net	33 033	37 143

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

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

6.2 - Finance lease transactions

In millions of euros	06/2020	12/2019
Finance lease transactions	13 988	13 605
Other healthy customer credit	12 642	12 140
Other customer credit with a significant increase in credit risk since initial recognition	1 102	1 277
Defaulted receivables	244	188
Accrued interest on finance lease transactions	14	14
Other non-defaulted customer credit	13	13
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	41	24
Staggered handling charges	61	68
Staggered contributions to sales incentives by manufacturer or dealers	(308)	(337)
Staggered fees paid for referral of business	288	293
Impairment on finance leases	(271)	(204)
Impairment on healthy receivables	(49)	(33)
Impairment on receivables with a significant increase in credit risk since initial recognition	(76)	(55)
Impairment on defaulted receivables	(145)	(115)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	13 772	13 439

6.3 - Operating lease transactions

In millions of euros	06/2020	12/2019
Fixed asset net value on operating lease transactions	1 333	1 251
Gross value of tangible assets	1 760	1 619
Depreciation of tangible assets	(427)	(368)
Receivables on operating lease transactions	22	16
Non-defaulted receivables	16	11
Defaulted receivables	9	8
Income and charges to be staggered	(3)	(3)
Impairment on operating leases	(25)	(40)
Impairment on non-defaulted receivables	(1)	(1)
Impairment on defaulted receivables	(6)	(6)
Impairment on residual value	(18)	(33)
Total operating lease transactions, net (*)	1 330	1 227
<i>(*) Of which related parties</i>	<i>(1)</i>	<i>(1)</i>

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 06/2020
Gross value	38 638	9 980	537	49 155
Healthy receivables	35 100	9 396	536	45 032
<i>On % of total receivables</i>	<i>90,8%</i>	<i>94,1%</i>	<i>99,8%</i>	<i>91,6%</i>
Receivables with a significant increase in credit risk since initial recognition	2 867	516		3 383
<i>On % of total receivables</i>	<i>7,4%</i>	<i>5,2%</i>		<i>6,9%</i>
Defaulted receivables	671	68	1	740
<i>On % of total receivables</i>	<i>1,7%</i>	<i>0,7%</i>	<i>0,2%</i>	<i>1,5%</i>
Impairment allowance	(903)	(115)	(2)	(1 020)
Impairment on healthy receivables	(227)	(65)	(2)	(294)
<i>On % of total impairment</i>	<i>25,1%</i>	<i>56,5%</i>	<i>100,0%</i>	<i>28,8%</i>
Impairment on receivables with a significant increase in credit risk since initial recognition	(224)	(17)		(241)
<i>On % of total impairment</i>	<i>24,8%</i>	<i>14,8%</i>		<i>23,6%</i>
Impairment on defaulted receivables	(452)	(33)		(485)
<i>On % of total receivables</i>	<i>50,1%</i>	<i>28,7%</i>		<i>47,5%</i>
Coverage rate	2,3%	1,2%	0,4%	2,1%
<i>Healthy receivables</i>	<i>0,6%</i>	<i>0,7%</i>	<i>0,4%</i>	<i>0,7%</i>
<i>Receivables with a significant increase in credit risk since initial recognition</i>	<i>7,8%</i>	<i>3,3%</i>		<i>7,1%</i>
<i>Defaulted receivables</i>	<i>67,4%</i>	<i>48,5%</i>		<i>65,5%</i>
Net value (*)	37 735	9 865	535	48 135
<i>(*) Of which: related parties (excluding participation in incentives and fees paid)</i>	<i>13</i>	<i>1 069</i>	<i>320</i>	<i>1 402</i>

In millions of euros	Customer	Dealer financing	Other	Total 12/2019
Gross value	40 178	11 747	766	52 691
Healthy receivables	36 548	11 372	763	48 683
<i>On % of total receivables</i>	<i>91,0%</i>	<i>96,8%</i>	<i>99,6%</i>	<i>92,4%</i>
Receivables with a significant increase in credit risk since initial recognition	3 034	299		3 333
<i>On % of total receivables</i>	<i>7,6%</i>	<i>2,5%</i>		<i>6,3%</i>
Defaulted receivables	596	76	3	675
<i>On % of total receivables</i>	<i>1,5%</i>	<i>0,6%</i>	<i>0,4%</i>	<i>1,3%</i>
Impairment allowance	(779)	(102)	(1)	(882)
Impairment on healthy receivables	(207)	(58)	(1)	(266)
<i>On % of total impairment</i>	<i>26,6%</i>	<i>56,9%</i>	<i>100,0%</i>	<i>30,2%</i>
Impairment on receivables with a significant increase in credit risk since initial recognition	(165)	(10)		(175)
<i>On % of total impairment</i>	<i>21,2%</i>	<i>9,8%</i>		<i>19,8%</i>
Impairment on defaulted receivables	(407)	(34)		(441)
<i>On % of total receivables</i>	<i>52,2%</i>	<i>33,3%</i>		<i>50,0%</i>
Coverage rate	1,9%	0,9%	0,1%	1,7%
<i>Healthy receivables</i>	<i>0,6%</i>	<i>0,5%</i>	<i>0,1%</i>	<i>0,5%</i>
<i>Receivables with a significant increase in credit risk since initial recognition</i>	<i>5,4%</i>	<i>3,3%</i>		<i>5,3%</i>
<i>Defaulted receivables</i>	<i>68,3%</i>	<i>44,7%</i>		<i>65,3%</i>
Net value (*)	39 399	11 645	765	51 809
<i>(*) Of which: related parties (excluding participation in incentives and fees paid)</i>	<i>24</i>	<i>874</i>	<i>589</i>	<i>1 487</i>

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

Note 7.1 : Change of customer finance transactions

In millions of euros	12/2019	Increase (1)	Reclas. (2)	Decrease (3)	06/2020
Healthy receivables	48 683	25 800	(1 165)	(28 286)	45 032
Receivables with a significant increase in credit risk since	3 333		901	(851)	3 383
Defaulted receivables	675		264	(199)	740
Customer finance transactions (GV)	52 691	25 800		(29 336)	49 155

(1) Increase = New production

(2) Reclassification = Transfert beetwen buckets

(3) Decrease = Neimbursement, disposals or writte-off

Note 7.2 : Change of impairments of customer finance transactions

In millions of euros	12/2019	Increase (1)	Decrease (2)	Variations (3)	Other (4)	06/2020
Impairment on healthy receivables (*)	266	74	(62)	22	(6)	294
Impairment on receivables with a significant increase in credit risk	175	22	(16)	71	(11)	241
Impairment on defaulted receivables	441	27	(92)	119	(10)	485
Impairments of customer finance transactions	882	123	(170)	212	(27)	1 020

(1) Increase = Allowance due to new production

(2) Decrease = Reversal of allowance due to reimbursement, disposals or writte-off

(3) Variations = Variation due to risk criteria adjustments (PD, LGD, ECL, Bucket...)

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

(*) The impairment on healthy receivables includes impairment on residual values for €114 million.

The economic consequences of the health crisis contributed to an increase in B3 outstandings (+12.6% compared with December 2019) prompting an increase in provisions of €45 million with provisioning down slightly to 67.4% (versus 68.3% at the end of December 2019).

The provisioning rate for B2 outstandings increased from 5.4% to 7.8% compared with the end of December 2019, following the deterioration of risk parameters, particularly LGD, adversely affected by the repercussions of lockdown policies on collection processes (inability to collect vehicles in particular) and on the economies of affected countries. This resulted in an increase in B2 provisions of €58.9 million despite a fall in outstandings of 5.5%.

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	06/2020	12/2019
Tax receivables	413	432
Current tax assets	62	16
Deferred tax assets	176	171
Tax receivables other than on current income tax	175	245
Adjustment accounts and other assets	1 125	1 069
Social Security and employee-related receivables	4	
Other sundry debtors	483	451
Adjustment accounts - Assets	81	59
Other assets	2	1
Items received on collections	391	373
Reinsurer part in technical provisions	164	185
Total adjustment accounts – Assets and other assets (*)	1 538	1 501
<i>(*) Of which related parties</i>	<i>150</i>	<i>259</i>

Note 9 : Liabilities to credit institutions and customers & debt securities

9.1 - Central Banks

In millions of euros	06/2020	12/2019
Term borrowings	2 250	2 700
Total Central Banks	2 250	2 700

At 30 June 2020, the book value of the collateral presented to the Bank of France (3G) amounted to €6,511 million, i.e. €5,682 million in securities issued by securitization vehicles, €712 million in private accounts receivable and €117 million in eligible bond securities.

9.2 - Amounts payable to credit institutions

In millions of euros	06/2020	12/2019
Sight accounts payable to credit institutions	236	135
Ordinary accounts	28	11
Overnight borrowings	2	7
Other amounts owed	206	117
Term accounts payable to credit institutions	2 300	2 645
Term borrowings	2 223	2 555
Accrued interest	77	90
Total liabilities to credit institutions	2 536	2 780

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

9.3 - Amounts payable to customers

In millions of euros	06/2020	12/2019
Amounts payable to customers	19 209	18 512
Ordinary accounts in credit	184	124
Term accounts in credit	500	700
Ordinary saving accounts	13 084	12 986
Term deposits (retail)	5 441	4 702
Other amounts payable to customers and accrued interest	94	93
Other amounts payable to customers	56	61
Accrued interest on ordinary accounts in credit	4	9
Accrued interest on ordinary saving accounts	12	17
Accrued interest on customers term accounts	22	6
Total amounts payable to customers (*)	19 303	18 605
<i>(*) Of which related parties</i>	<i>570</i>	<i>728</i>

Term accounts in credit include a €500m cash warrant agreement given to RCI Banque by the manufacturer Renault covering, without any geographical exceptions, against the risks of the Renault Retail Group defaulting.

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

9.4 - Debt securities

In millions of euros	06/2020	12/2019
Negotiable debt securities (1)	1 144	1 948
Certificates of deposit	914	1 681
Commercial paper and similar		29
French MTNs and similar	220	220
Accrued interest on negotiable debt securities	10	18
Other debt securities (2)	2 801	3 243
Other debt securities	2 800	3 242
Accrued interest on other debt securities	1	1
Bonds and similar	18 846	18 825
Bonds	18 744	18 699
Accrued interest on bonds	102	126
Total debt securities (*)	22 791	24 016

(*) Of which related parties

78

(1) Certificates of deposit, treasury notes and commercial paper are issued by RCI Banque S.A., Banco RCI Brasil S.A., RCI Colombia S.A. Compania de Financiamiento and Diac S.A.

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

Note 10 : Adjustment accounts & miscellaneous liabilities

In millions of euros	06/2020	12/2019
Taxes payable	789	750
Current tax liabilities	173	129
Deferred tax liabilities	586	588
Taxes payable other than on current income tax	30	33
Adjustment accounts and other amounts payable	2 071	1 895
Social security and employee-related liabilities	62	57
Other sundry creditors	987	916
Adjustment accounts - liabilities	547	562
Accrued interest on other sundry creditors	418	354
Collection accounts	57	6
Total adjustment accounts - Liabilities and other liabilities (*)	2 860	2 645

(*) Of which related parties

319

145

Note 11 : Provisions

In millions of euros	12/2019	Charge	Reversals		Other (*)	06/2020
			Used	Not Used		
Provisions on banking operations	525	134	(15)	(134)	(3)	507
Provisions for signature commitments	6	8		(3)	(1)	10
Provisions for litigation risks	9	1		(2)	(2)	6
Insurance technical provisions	488	122	(15)	(125)	(1)	469
Other provisions	22	3		(4)	1	22
Provisions on non-banking operations	148	4	(7)	(3)	(7)	135
Provisions for pensions liabilities and related	63	3	(3)	(1)	2	64
Provisions for restructuring	14		(3)		1	12
Provisions for tax and litigation risks	67	1	(1)	(1)	(11)	55
Other	4			(1)	1	4
Total provisions	673	138	(22)	(137)	(10)	642

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

(**) Provisions for signature commitments = Mainly financing commitments

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

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

Other provisions on banking operations mainly consist of the insurance technical provision for captive insurance company commitments towards policy holders and beneficiaries. The insurance technical provision came to June €469 million at end-June 2020.

Note 12 : Impairments allowances to cover counterparty risk

In millions of euros	12/2019	Charge	Reversals		Other (*)	06/2020
			Used	Not Used		
Impairments on banking operations	882	392	(141)	(68)	(45)	1 020
Credit institutions transactions		1			(1)	
Customer finance transactions	882	391	(141)	(68)	(44)	1 020
<i>Ow impairment on healthy receivables</i>	<i>266</i>	<i>126</i>	<i>(33)</i>	<i>(43)</i>	<i>(22)</i>	<i>294</i>
<i>Ow impairment on receivables with a significant increase in cred</i>	<i>175</i>	<i>121</i>	<i>(31)</i>	<i>(13)</i>	<i>(11)</i>	<i>241</i>
<i>Ow Impairment on defaulted receivables</i>	<i>441</i>	<i>144</i>	<i>(77)</i>	<i>(12)</i>	<i>(11)</i>	<i>485</i>
Impairment on non-banking operations	4	1	(1)		(1)	3
Impairment for signature commitments	4	1	(1)		(1)	3
Impairment on banking operations	15	9		(5)	(3)	16
Provisions for signature commitments	6	8		(3)	(1)	10
Provisions for litigation risks	9	1		(2)	(2)	6
Total provisions to cover counterparty risk	901	402	(142)	(73)	(49)	1 039

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

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

Note 13 : Subordinated debt - Liabilities

In millions of euros	06/2020	12/2019
Liabilities measured at amortized cost	859	853
Subordinated securities	850	850
Accrued interest on subordinated securities	9	3
Hedged liabilities measured at fair value	12	14
Participating loan stocks	12	14
Total subordinated liabilities	871	867

Participating loan stocks of 500,000,000 Francs were issued in 1985 by Diac SA.

The system of remuneration includes:

- a fixed part equal to 60% of the AMR (Annual Monetary Rate)
- a variable part obtained by applying to 40% of the AMR the rate of increase of consolidated net income in the last fiscal year divided by that of the previous year.

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

It is a perpetual loan.

Note 14 : Financial assets and liabilities by remaining term to maturity

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 06/2020
Financial assets	16 037	14 841	22 436	795	54 109
Cash and balances at central banks	4 457	21			4 478
Derivatives	7	18	104	86	215
Financial assets	337	519	271	205	1 332
Amounts receivable from credit institutions	1 219		60		1 279
Loans and advances to customers	10 017	14 283	22 001	504	46 805
Financial liabilities	16 451	7 436	20 375	3 593	47 855
Central Banks		1 500	750		2 250
Derivatives	9	41	54		104
Amounts payable to credit institutions	505	886	1 145		2 536
Amounts payable to customers	14 211	1 837	2 755	500	19 303
Debt securities	1 726	3 164	15 671	2 230	22 791
Subordinated debt		8		863	871

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

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

**Note 15 : Fair value of assets and liabilities (in accordance with IFRS 7 & IFRS 13)
and breakdown of assets and liabilities by fair value hierarchy**

In millions of euros - 30/06/2020	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	54 109	1 328	5 972	46 584	53 884	(225)
Cash and balances at central banks	4 478		4 478		4 478	
Derivatives	215		215		215	
Financial assets	1 332	1 328		4	1 332	
Amounts receivable from credit institutions	1 279		1 279		1 279	
Loans and advances to customers	46 805			46 580	46 580	(225)
Financial liabilities	47 855	13	47 021		47 034	821
Central Banks	2 250		2 197		2 197	53
Derivatives	104		104		104	
Amounts payable to credit institutions	2 536		2 533		2 533	3
Amounts payable to customers	19 303		19 303		19 303	
Debt securities	22 791		22 088		22 088	703
Subordinated debt	871	13	796		809	62

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

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

Trade receivables, classified as Level 3, are measured at amortized cost on the balance sheet. Fair value calculations are provided for information and should be interpreted as estimates only. In most cases, the values provided are not intended to be realized and generally cannot be in practice. These values are not indicators used for the purposes of managing the activities of the bank, for which the management model is based on collecting the expected cash flow.

The assumptions used to calculate the fair value of instruments at the impaired cost are presented below.

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

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

Assumptions and methods used:

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

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

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

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

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

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

The main assumptions and valuation methods used are the following:

- Financial assets

Fixed-rate loans have been estimated by discounting future cash flows at the interest rates offered by RCI Banque at 31 December 2019 and at 30 June 2020 for loans with similar conditions and maturities.

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

- Loans and advances to customers

Sales financing receivables have been estimated by discounting future cash flows at the interest rate that would have applied to similar loans (conditions, maturity and borrower quality) at 31 December 2019 and at 30 June 2020.

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

- Financial liabilities

Fair value of financial liabilities has been estimated by discounting future cash flows at the interest rates offered to RCI Banque at 31 December 2019 and 30 June 2020 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

Note 16 : Netting agreements and other similar commitments

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

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

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

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

Synthesis of financial assets and liabilities agreements

In millions of euros - 30/06/2020	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	1 344		1 344	40	578		726
Derivatives	215		215	40			175
Network financing receivables (1)	1 129		1 129		578		551
Liabilities	104		104	40			64
Derivatives	104		104	40			64

(1) The gross book value of dealer financing receivables breaks down into €935 million for the Renault Retail Group, whose exposures are hedged for up to €495 million by a cash warrant agreement given by the Renault manufacturer (see note 9.3) and €194 million for dealers financed by Banco RCI Brasil S.A, whose exposures are hedged for up to €83 million by pledge of *letras de cambio* subscribed to by the dealers.

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

(1) The gross book value of dealer financing receivables breaks down into €722m for the Renault Retail Group, whose exposures are hedged for up to €692m by a cash warrant agreement given by the Renault manufacturer (see note 9.3) and €441m for dealers financed by Banco RCI Brasil S.A, whose exposures are hedged for up to €197m by pledge of *letras de cambio* subscribed to by the dealers.

Note 17 : Commitments given

In millions of euros	06/2020	12/2019
Financing commitments	3 098	2 553
Commitments to credit institutions		4
Commitments to customers	3 098	2 549
Guarantee commitments	195	216
Commitments to credit institutions	36	57
Customer guarantees	159	159
Commitments on securities	170	
Other securities receivable	170	
Other commitments given	29	29
Commitments given for equipment leases and real estate leases	29	29
Total commitments given (*)	3 492	2 798

() Of which related parties*

9

7

Note 18 : Commitments received

In millions of euros	06/2020	12/2019
Financing commitments	4 832	4 847
Commitments from credit institutions	4 832	4 847
Guarantee commitments	15 858	16 313
Guarantees received from credit institutions	215	228
Guarantees from customers	5 758	6 741
Commitments to take back leased vehicles at the end of the contract	9 885	9 344
Other commitments received	25	25
Other commitments received	25	25
Total commitments received (*)	20 715	21 185
<i>(*) Of which related parties</i>	<i>5 421</i>	<i>5 408</i>

At 30 June 2020, RCI Banque had €4,488 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also had €3,714 millions of receivables eligible as European Central Bank collateral (after haircuts and excluding securities and receivables already in use to secure financing at period-end).

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

Guarantees and collateral

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

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

Note 19 : Interest and similar income

In millions of euros	06/2020	06/2019	12/2019
Interests and similar incomes	1 421	1 475	2 966
Transactions with credit institutions	13	17	34
Customer finance transactions	1 030	1 088	2 173
Finance lease transactions	342	326	671
Accrued interest due and payable on hedging instruments	30	35	72
Accrued interest due and payable on Financial assets	6	9	16
Staggered fees paid for referral of business:	(403)	(375)	(770)
Customer Loans	(313)	(302)	(614)
Finance leases	(90)	(73)	(156)
Total interests and similar income (*)	1 018	1 100	2 196
<i>(*) Of which related parties</i>	<i>356</i>	<i>368</i>	<i>740</i>

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

Note 20 : Interest expenses and similar charges

In millions of euros	06/2020	06/2019	12/2019
Transactions with credit institutions	(103)	(104)	(203)
Customer finance transactions	(60)	(64)	(130)
Finance lease transactions	(2)	(1)	(2)
Accrued interest due and payable on hedging instruments	(23)	(26)	(54)
Expenses on debt securities	(138)	(176)	(340)
Other interest and similar expenses	(6)	(9)	(15)
Total interest and similar expenses (*)	(332)	(380)	(744)
<i>(*) Of which related parties</i>		<i>(2)</i>	<i>(4)</i>

Note 21 : Fees and commissions

In millions of euros	06/2020	06/2019	12/2019
Fees and commissions income	300	301	605
Commissions	10	9	19
Fees	9	11	21
Commissions from service activities	40	41	82
Insurance brokerage commission	30	33	65
Incidental insurance commissions from finance contracts	115	113	226
Incidental maintenance commissions from finance contracts	63	63	129
Other incidental commissions from finance contracts	33	31	63
Fees and commissions expenses	(109)	(113)	(234)
Commissions	(12)	(11)	(22)
Commissions on service activities	(29)	(29)	(57)
Incidental insurance commissions from finance contracts	(10)	(13)	(29)
Incidental maintenance commissions from finance contracts	(38)	(42)	(86)
Other incidental commissions from finance contracts	(20)	(18)	(40)
Total net commissions (*)	191	188	371
<i>(*) Of which related parties</i>	<i>6</i>	<i>6</i>	<i>13</i>

The services and the costs of ancillary finance contract services and the income and costs of service activities primarily concern insurance and maintenance services.

Note 22 : Net income or expense of other activities

In millions of euros	06/2020	06/2019	12/2019
Other income from banking operations	470	476	1 004
Income from insurance activities	202	238	472
Income related to non-doubtful lease contracts	141	123	294
of which reversal of impairment on residual values	35	4	27
Income from operating lease transactions	116	103	215
Other income from banking operations	11	12	23
of which reversal of charge to reserve for banking risks	4	4	8
Other expenses of banking operations	(333)	(355)	(758)
Cost of insurance activities	(56)	(98)	(182)
Expenses related to non-doubtful lease contracts	(139)	(130)	(305)
of which allowance for impairment on residual values	(49)	(13)	(36)
Distribution costs not treatable as interest expense	(42)	(47)	(93)
Expenses related to operating lease transactions	(84)	(71)	(154)
Other expenses of banking operations	(12)	(9)	(24)
of which charge to reserve for banking risks	(3)	(4)	(8)
Other operating income and expenses	2	(1)	5
Other operating income	6	7	24
Other operating expenses	(4)	(8)	(19)
Total net income (expense) of other activities (*)	139	120	251
<i>(*) Of which related parties</i>	<i>(2)</i>	<i>(4)</i>	<i>(10)</i>

Incidental income from and Expenses of services related to finance contracts as well as income and expenses of service activities are presented in Note 21.

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

Note 23 : General operating expenses and personal costs

In millions of euros	06/2020	06/2019	12/2019
Personnel costs	(146)	(149)	(308)
Employee pay	(98)	(99)	(202)
Expenses of post-retirement benefits - Defined-contribution pension plan	(8)	(10)	(18)
Expenses of post-retirement benefits - Defined-benefit pension plan			(1)
Other employee-related expenses	(33)	(34)	(71)
Other personnel expenses	(7)	(6)	(16)
Other administrative expenses	(153)	(159)	(277)
Taxes other than current income tax	(42)	(38)	(43)
Rental charges	(4)	(4)	(7)
Other administrative expenses	(107)	(117)	(227)
Total general operating expenses (*)	(299)	(308)	(585)
<i>(*) Of which related parties</i>	<i>4</i>	<i>(1)</i>	<i>(1)</i>

Other personnel expenses include amounts charged to and reversed from provisions for restructuring, for the *Compte Epargne Temps* (work-time savings account) and for personnel-related risks.

Note 24 : Cost of risk by customer category

In millions of euros	06/2020	06/2019	12/2019
Cost of risk on customer financing	(216)	(77)	(176)
Impairment allowances	(294)	(143)	(277)
Reversal of impairment	137	112	198
Losses on receivables written off	(74)	(64)	(133)
Amounts recovered on loans written off	15	18	36
Cost of risk on dealer financing	(19)	(6)	9
Impairment allowances	(47)	(33)	(80)
Reversal of impairment	29	26	89
Losses on receivables written off	(1)		(1)
Amounts recovered on loans written off		1	1
Other cost of risk	(1)	(10)	(10)
Change in allowance for impairment of other receivables		(10)	1
Other valuation adjustments	(1)		(11)
Total cost of risk (*)	(236)	(93)	(177)
		(10)	(11)

(*) Of which related parties

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

The cost of risk on the Customer business segment (retail customers and corporate finance) saw a sharp increase in the first half of 2020. The provisioning rate for B2 outstandings increased significantly compared with the end of December 2019, affected by the negative repercussions of lockdown policies on collection recovery processes (inability to collect vehicles in particular). This resulted in an increase in B2 provisions of €58.9 million despite a corresponding fall in outstandings of 5.5%. The economic consequences of the health crisis contributed to an increase in B3 outstandings resulting in an increase in provisions of €45 million.

In the Dealer financing segment, the cost of risk was adversely affected by updated macro-economic forecasts in the context of forward-looking provisioning under IFRS 9.

Note 25 : Income tax

In millions of euros	06/2020	06/2019	12/2019
Current tax expense	(92)	(170)	(294)
Current tax expense	(92)	(170)	(294)
Deferred taxes	14	(10)	(98)
Income (expense) of deferred taxes, gross	13	(10)	(98)
Change in allowance for impairment of deferred tax assets	1		
Total income tax	(78)	(180)	(392)

The RCI Banque group's effective tax rate was 16.34% at 30 June 2020, compared with 29.60% at 30 June 2019 and 29.57% at 31 December 2019

The amount of the French CVAE tax (*Cotisation sur la Valeur Ajoutée des Entreprises*, a tax computed on the added value generated by the company) includes in current income tax is -€2 million.

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

The tax expense at June 30, 2020 factors in tax income of €51 million. This tax income corresponds to the repayment by the Maltese State of a tax credit equivalent to 6/7 of 2019 tax expenses (i.e. 6/7 of €59 million). At the end of June 2020, this credit was recorded in the financial statements following the payment of dividends of the Maltese entities. In June 2019, this same type of dividend was only paid in the second half of 2019.

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

Since 2016, the group's effective tax rate includes the effect of the reduction in the rate of corporation tax provided for in the French Finance Act. At the end of June 2020, this impact generated a deferred income tax loss of -€24.3 million.

There was a €23 million variation in deferred tax income at June 30, 2020. Deferred tax income recognized in June 2020 was essentially related to the reduction in deferred tax rates in France which, under the current budget, were brought down from 32.02% to 28.41%.

Note 26 : Events after the end of the reporting period

No events occurred between the reporting period end date and 24 July 2020, when the Board of Directors approved the financial statements that might have a significant impact on the financial statements ended 30 June 2020.