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RCI Banque S.A.

Statutory auditors' report on the consolidated financial statements

For the year ended 31 december 2022

RCI Banque S.A

15 rue d'Uzès 75002 PARIS

RCI Banque S.A.

Share capital: € 100 000 000
Registered office: 15 rue d'Uzès 75002 Paris
RCS: Paris 306 523 358

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2022

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

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of RCI Banque S.A for the year ended *31st December 2022*.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 december 2022 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Basis for Opinion

Audit Framework

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

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

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.
These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Assessment of credit risk and evaluation of impairment

Risk identified

RCI Banque S.A. recognizes impairment losses to cover the risk of non-recovery of loans granted to its customers.
RCI Banque S.A. applies the accounting principles of IFRS 9 "Financial Instruments" which defines a provisioning model for expected losses based on three stages of risk: on healthy outstandings (bucket 1), outstandings with a significant increase in risk since initial recognition (bucket 2) and outstandings delinquent /defaulted (bucket 3) as described in the note 3. E) of the consolidated financial statements.

We consider the credit loss provisioning on retail customers and car dealers is a key audit matter, due to the significant amount in the assets of the Group's balance sheet, the use of numerous parameters and assumptions in the calculation models and the use of judgment made by management in estimating expected credit losses.
The methods used to estimate credit loss provisionning take into account the uncertain macro-economic context driven among other effects by the rise of inflation and of rates as described in the note 2 "Faits Marquants" of the consolidated financial statements.

The expected credit losses impairments set in accordance with IFRS 9 are presented in the Note 7 to the consolidated financial statements and amount to M€ 1 141 with a gross amount of receivables of M€ 51 155.

Our audit response

Our procedures, performed with our specialists, mainly consisted in:

- Evaluating the methodologies applied to determine the parameters used in the depreciation model and their correct operational insertion in the information systems;

- Evaluating the key controls in place to validate changes in parameters and key assumptions that support the calculation of expected credit loss impairments;
- Evaluating the expert impairment adjustments calculated at the local and Group level and reviewing the documentation supporting the additional impairments;
- Assessing the assumptions used in the determination of the Forward-Looking models, including the weighting of the different scenarios used, and the governance underlying the choice of weightings;
- Reviewing the process in place to ensure the completeness and quality of the data used to determine impairments;
- Testing the quality of the application program interfaces that support the calculation and accounting of the expected credit losses impairments;
- Assessing the process for classifying assets by category;
- Carrying out analytical procedures on the evolution of retail customer and car dealer loans oustandings and credit risk impairments;
- Assessing the compliance of the information presented in the notes to the consolidated financial statements with the applicable accounting rules.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

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

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements intended to be included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the General Director, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to technical limits related to the macro-tagging of the consolidated financial statements prepared according to the European single electronic format, some tagging of the notes to the

consolidated
financial statements might not reflect exactly the consolidated financial statements attached to this report.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of RCI Banque S.A by the annual general meeting held on 22nd may 2014 for KPMG S.A and on 29th April 2020 for Mazars.

As at 31st December 2022, KPMG S.A. and Mazars were respectively in the 9th year and 3rd year of total uninterrupted engagement.

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

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

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

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

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

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

Objectives and audit approach

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

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

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

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

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

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

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

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

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

Report to the Audit Committee

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

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.
We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, 7th March 2023,

The statutory auditors

KPMG S.A.	Mazars
Ulrich Sarfati *Partner*	Anne Veaute *Partner*

CONSOLIDATED FINANCIAL STATEMENTS OF THE RCI BANQUE GROUP

31 December 2022

The group decided to change its brand name to “Mobilize Financial Services.”

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CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	**Notes**	**12/2022**	**12/2021**
Cash and balances at central banks	2	5 874	6 745
Derivatives	3	434	147
Financial assets at fair value through other comprehensive income (**)	4	521	837
Financial assets at fair value through profit or loss	4	119	137
Amounts receivable at amortised cost from credit institutions	5	1 690	1 294
Loans and advances at amortised cost to customers	6 et 7	48 631	44 074
Current tax assets	8	41	21
Deferred tax assets	8	220	179
Tax receivables other than on current income tax	8	125	112
Adjustment accounts & miscellaneous assets	8	1 041	957
Non-current assets held for sale		19	
Investments in associates and joint ventures	9	66	146
Operating lease transactions	6 et 7	1 383	1 344
Tangible and intangible non-current assets	10	123	94
Goodwill	11	137	149
TOTAL ASSETS		**60 424**	**56 236**

LIABILITIES AND EQUITY - In millions of euros	**Notes**	**12/2022**	**12/2021**
Central Banks	12.1	3 715	3 738
Derivatives	3	351	44
Amounts payable to credit institutions	12.2	2 012	1 997
Amounts payable to customers	12.3	25 473	22 030
Debt securities	12.4	18 108	17 971
Current tax liabilities	14	108	136
Deferred tax liabilities	14	818	670
Taxes payable other than on current income tax	14	25	21
Adjustment accounts & miscellaneous liabilities	14	2 004	1 916
Non-current liabilities held for sale		1	
Provisions	15	188	162
Insurance technical provisions	15	425	436
Subordinated debt - Liabilities	17	886	893
Equity		6 310	6 222
- Of which equity - owners of the parent		*6 309*	*6 208*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*4 993*	*4 950*
Unrealised or deferred gains and losses		*(198)*	*(402)*
Net income for the year		*700*	*846*
- Of which equity - non-controlling interests		*1*	*14*
TOTAL LIABILITIES & EQUITY		**60 424**	**56 236**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2022	12/2021
Interest and similar income	25	2 152	1 766
Interest expenses and similar charges	26	(883)	(599)
Fees and commission income	27	679	639
Fees and commission expenses	27	(311)	(282)
Net gains (losses) on financial instruments at fair value through profit or loss	28	69	8
Income of other activities	29	1 023	1 091
Expense of other activities	29	(684)	(795)
NET BANKING INCOME		**2 045**	**1 828**
General operating expenses	30	(622)	(556)
Depreciation and impairment losses on tangible and intangible assets		(20)	(20)
GROSS OPERATING INCOME		**1 403**	**1 252**
Cost of risk	31	(195)	(62)
OPERATING INCOME		**1 208**	**1 190**
Share in net income (loss) of associates and joint ventures (2)	9	(127)	19
Gains less losses on non-current assets			
Impact of Profit & Loss for Subisidiaries in Hyperinflation Context (3)		(31)	(14)
Goodwill impairment			(1)
PRE-TAX INCOME (4)		**1 050**	**1 194**
Income tax	32	(330)	(328)
NET INCOME		**720**	**866**
Of which, non-controlling interests		20	20
Of which owners of the parent		700	846
Number of shares		1 000 000	1 000 000
Net Income per share (1) in euros		700,12	846,42
Diluted earnings per share in euros		700,12	846,42

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

(2) RN Bank's equity-method value was fully impaired at 31 December 2022, due to the uncertainties regarding the recoverability of this asset, representing a negative impact on the equity-method entities' net income of €119 million for the period.
(3) Hyperinflation Argentina
(4) Within the impact of discontinued operations for - €1 million

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	12/2022	12/2021
NET INCOME	**720**	**866**
Actuarial differences on post-employment benefits	11	8
Total of items that will not be reclassified subsequently to profit or loss	***11***	***8***
Unrealised P&L on cash flow hedge instruments	199	47
Unrealised P&L on financial assets	(8)	(3)
Exchange differences	(1)	53
Other unrealised or deferred P&L		(0)
Total of items that will be reclassified subsequently to profit or loss	***190***	***97***
Other comprehensive income	**201**	**105**
TOTAL COMPREHENSIVE INCOME	**921**	**971**
Of which Comprehensive income attributable to non-controlling interests	17	27
Of which Comprehensive income attributable to owners of the parent	904	944

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital (1)	Attribut. reserves (2)	Consolid. reserves	Translation adjust. (3)	Unrealized or deferred P&L (4)	Net income (Shareholders of the parent company)	**Equity** (Shareholders of the parent company)	Equity (Non-controlling interests)	**Total Consolidated equity**
Equity at 31 December 2020	**100**	**714**	**5 159**	**(454)**	**(46)**	**787**	**6 260**	**13**	**6 273**
Appropriation of net income of previous year			787			(787)			
Equity at 1 January 2021	**100**	**714**	**5 946**	**(454)**	**(46)**		**6 260**	**13**	**6 273**
Change in value of financial instruments recognized in equity					35		35	9	44
Actuarial differences on defined-benefit pension plans					8		8		8
Exchange differences				55			55	(2)	53
Net income for the year (before appropriation)						846	846	20	866
Total comprehensive income for the period				***55***	***43***	***846***	***944***	***27***	***971***
Effect of acquisitions, disposals and others			1				1		1
Dividend for the year			(1 000)				(1 000)	(20)	(1 020)
Repurchase commitment of non-controlling interests			3				3	(6)	(3)
Equity at 31 December 2021	**100**	**714**	**4 950**	**(399)**	**(3)**	**846**	**6 208**	**14**	**6 222**
Appropriation of net income of previous year			846			(846)			
Equity at 1 January 2022	**100**	**714**	**5 796**	**(399)**	**(3)**		**6 208**	**14**	**6 222**
Change in value of financial instruments recognized in equity					194		194	(3)	191
Actuarial differences on post-employment benefits					11		11		11
Exchange differences				(1)			(1)		(1)
Net income for the year (before appropriation)						700	700	20	720
Total comprehensive income for the period				***(1)***	***205***	***700***	***904***	***17***	***921***
Effect of acquisitions, disposals and other			(11)				(11)		(11)
Dividend for the year (5)			(800)				(800)	(12)	(812)
Repurchase commitment of non-controlling interests			8				8	(18)	(10)
Equity at 31 December 2022	**100**	**714**	**4 993**	**(400)**	**202**	**700**	**6 309**	**1**	**6 310**

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

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

(3) The change in translation adjustments at 31 December 2022 relates primarily to Argentina, Brazil, Colombia, India, Morocco, Poland, the United Kingdom, Switzerland and Turkey. At 31 December 2021, it related primarily to Argentina, Brazil, Colombia, South Korea, India, Morocco, Turkey, the United Kingdom, Switzerland and Czech Republic.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for €209m and IAS 19 actuarial gains and losses for -€7m at end-December 2022.

(5) Distribution to the shareholder Renault of a dividend on the 2021 result for €800 million.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	12/2022	12/2021
Net income attributable to owners of the parent company	**700**	**846**
Depreciation and amortization of tangible and intangible non-current assets	19	19
Net allowance for impairment and provisions	112	(89)
Share in net (income) loss of associates and joint ventures	127	(19)
Deferred tax (income) / expense	42	62
Net loss / gain from investing activities	(11)	5
Net income attributable to non-controlling interests	20	20
Other (gains/losses on derivatives at fair value through profit and loss)	(80)	13
Cash flow	**929**	**857**
Other movements (accrued receivables and payables)	172	(222)
Total non-monetary items included in net income and other adjustments	***402***	***(212)***
Cash flows on transactions with credit institutions	107	1 289
- Inflows / outflows in amounts receivable from credit institutions	*5*	*165*
- Inflows / outflows in amounts payable to credit institutions	*102*	*1 124*
Cash flows on transactions with customers	(1 258)	2 774
- Inflows / outflows in amounts receivable from customers	*(4 953)*	*2 525*
- Inflows / outflows in amounts payable to customers	*3 695*	*249*
Cash flows on other transactions affecting financial assets and liabilities	557	(3 998)
- Inflows / outflows related to AFS securities and similar	*285*	*(71)*
- Inflows / outflows related to debt securities	*397*	*(3 914)*
- Inflows / outflows related to collections	*(125)*	*(13)*
Cash flows on other transactions affecting non-financial assets and liabilities	11	(57)
Net change in assets and liabilities resulting from operating activities	**(583)**	**8**
Net cash generated by operating activities (A)	**519**	**642**
Flows related to financial assets and investments	(15)	(101)
Flows related to tangible and intangible non-current assets	(53)	(15)
Net cash from / (used by) investing activities (B)	**(68)**	**(116)**
Net cash from / (to) shareholders	(819)	(1 020)
- Dividends paid	*(812)*	*(1 020)*
- Inflows / outflows related to non-controlling interests	*(7)*	
Net cash from / (used by) financing activities (C)	**(819)**	**(1 020)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalents (D)	**(46)**	**88**
Change in cash and cash equivalents (A+B+C+D)	**(414)**	**(406)**
Cash and cash equivalents at beginning of year:	7 705	8 111
- Cash and balances at central banks	*6 729*	*7 289*
- Balances in sight accounts at credit institutions	*976*	*822*
Cash and cash equivalents at end of year:	7 291	7 705
- Cash and balances at central banks	*5 836*	*6 729*
- Credit balances in sight accounts with credit institutions	*1 638*	*1 236*
- Debit balances in sight accounts with credit institutions	*(183)*	*(260)*
Change in net cash (1) (2)	**(414)**	**(406)**

(1)The rules for determining treasury and treasury equivalent cash flows are presented in §. 3.S

(2) Variation generated by the discontinued operations is deemed insignificant

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. It is subject to all legislation and regulations applicable to credit institutions and is listed on the Paris Register of Trade and Companies under number 306 523 358.

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

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

The consolidated financial statements of the Mobilize Financial Services Group as at 31 December relate to the Company and its subsidiaries, and to the group's interests in associates and jointly-controlled entities.

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

The consolidated financial statements of the Mobilize Financial Services group at 31 December 2022, were approved by the Board of Directors' meeting on 10 February 2023, and will be put before the annual general meeting of 19 May 2023, for approval.

The Mobilize Financial Services group's consolidated financial statements for the year 2021 were established by the Board of Directors on 11 February 2022 and approved at the Mixed General Meeting on 20 May 2022. It was decided to pay shareholders a dividend of €800 million on the 2021 result.

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

2. KEY HIGHLIGHTS

"Mobilize Financial Services" trade name change

In order to reinforce its ties to Mobilize, Groupe Renault's mobility branch, and to benefit from a strong brand everywhere in the world, the group decided to change the name of its trademark "RCI Bank and Services." As a result, the name was changed to "Mobilize Financial Services".

This change did not impact the company's name at all, which remains RCI Banque S.A.

War in Ukraine

The conflict in Ukraine and the economic and trade sanctions progressively levied against Russia, as well as the counter-sanctions levied by Russia impacted the group's business during 2022. The areas in question mainly include employee security, the risk of a shortage of financing in Russia, the risk of cyberattacks, and information systems failure.

The Mobilize Financial Services group has investments in both Russia and Ukraine.

The Mobilize Financial Services group complies strictly with the regulations in force and has diligently implemented the necessary measures to comply with international sanctions.

Given the way the bank operates in these two countries, the statement of financial position exposure to Russia and Ukraine is limited.

In Ukraine

RCI Banque S.A. owns 100% of a non-consolidated subsidiary. The Group does not have any loan exposures to this company.

RCI Banque S.A.'s net investment is limited to the share of this subsidiary's capital (€0.3 million) that was fully provisioned during the year of 2022.

In Russia

The main exposure to Russia comes from the investment in RN Bank, a self-financed entity in which the Group holds a 30% economic interest through the holding RN SF B.V which is consolidated using the equity method. Pending the disposal of our stake and due to the uncertainties regarding the recoverability of this asset, its holdings in RN Bank were subject to a provision for their full value at 31 December 2022. The negative impact in 2022 amounted to €119 million on net income. The change in the ruble exchange rate resulted in a foreign exchange reserve of -€16 million at the end of December in this currency.

The group also owns 100% of RNL Leasing, a leasing company fully consolidated. RNL leasing's contribution to the group's equity was not significant (€0.6 million) and the shareholder loans of 1.5 billion rubles (equivalent to €19 million) were eliminated as part of the treatment of intragroup transactions. The 11 October 2022, a contract about sale of RNL Leasing was signed (waiting for the authorization of authorities Russia). As a consequence, the assets and liabilities of RNL Leasing were reclassified as "non-current assets/liabilities held for sale" in accordance with IFRS 5. The non-current assets held for sale amount to €22 million at end of 2022 with an impairment of €3 million was recognized represent the difference between the sale price and the outstanding hold. The closing conversion rate KRUB used at end of 2022 is 76,85 and the average conversion rate (income statement) used is 72,17.

The Mobilize Financial Services group has taken steps to withdraw from its investments in Russia.

New issues of securitization funds

In the securitization market, the group invested around €700 million in May backed by car loans granted by its French subsidiary DIAC (of which €650 million in senior notes and around €50 million in subordinated notes).

In addition, group Mobilize Financial Services put in place its first Spanish securitization, issuing €1.1 billion of senior notes fully retained by the Group. This new program strengthens the Group's liquidity reserve by diversifying and increasing ECB-eligible assets.

Scope entry

In 2022, two new entities of the Bipi Group (Bipi Mobility Netherlands B.V. and Bipi Mobility UK Limited) were fully consolidated.

The attendance of CEO Mobilize Financial Services in executive board of Mobility Trader Holding Gmbh involve the group has a significant influence. Mobility Trader Holding Gmbh which hold 4,97% by the group is accounted under the equity method.

According to the article CRR 19, the entity need to be consolidated if the total balance sheet and off-balance-sheet exceeded €10 million. As a consequence, four entities (RCI Finance SK S.r.O; RCI Lizing d.o.o.; RCI Usluge d.o.o.; RCI Insurance Service Korea Co. Ltd), previously non-consolidated, were fully consolidated retroactively from 1 January 2022.

Covid-19 health crisis:

The "Covid-19" moratoria have been applied within the framework of the EBA definitions and according to the situation in each country. Given that they were not renewed in 2021, the Mobilize Financial Services group no longer has any outstandings subject to active moratoria at the end of December 2022.

Note: The Mobilize Financial Services group is not involved in the granting of government-guaranteed loans (PGE).

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.

The cost of customer risk at the end of December 2022 amounted to 195 million euros (0.44% of average performing assets) with 210 million euros for retail (0,55% of average performing assets) and a release of 21 million euros for dealer network (-0,35% of average performing assets).

Compared with the year of 2021 (cost of risk €62 million, 0.14% APA), the cost of risk at the end of December 2022 increased (cost of risk) by €130 million. This change is mainly due to:

- An increase, over the year of 2022, in impairment allowances for customer receivables (note 7) of €116 million compared to a decrease of €4 million over the year of 2021. This difference is mainly due to:
  - the change in coverage rates on impaired receivables: in December 2022, the overall coverage rate for customer receivables was 2.7% up 0,2 point over 2021.
  - the change in customer outstandings increased by €996 million over the year of 2022. In 2021, it decrease €84 million.
- The increase in the overall coverage rate is mainly due to the update of the IFRS 9 calculation parameters, in particular the Loss Given Default for France and Brazil in the first half of 2022, which had been frozen since October 2021, the impact of the update of the forward-looking provisions, and the implementation of an inflation risk adjustment on Retail portfolios and an adjustment for vulnerable customers.

For the dealer network, the cost of risk consists of a reversal of provisions for impairment of €21 million compared to December 2021.

The forward-looking adjustment included in these figures has a macroeconomic component and a collective component.

An allowance of €37 million was made as a customer forward-looking adjustment:

- €37 million increase from the update of the macroeconomic component, for which internal stress models of PD and LGD parameters were used (especially France, Germany and Italy)
- A decrease of €0.1 million for the collective provision for economic players in sectors most affected by the Covid-19 crisis.

For the dealer network, the forward-looking adjustment was a reversal of €24 million.

The proportion of customer receivables in default was slightly down to 2.4% decrease 0.1 point over 2021.

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

Significant assumptions for IFRS 9 expected loss calculations:

These are close to those used for the 2022 financial year, to which is added the forecast adverse effect on the amount of provisions for the application of the new definition of default for the scope treated under the advanced method.

Forward-looking

The forward-looking provision comprises a statistical provision and a sectoral expertise provision.

Changes in the statistical forward-looking calculation parameters in 2022:

Mobilize Financial Services (MFS) did not have internal models in the past to perform projections of credit risk parameters such as PD (Probability of Default) and LGD (Loss Given Default) required to calculate IFRS 9 forward-looking provisions. Instead, benchmarks provided by the EBA (European Banking Authority) were used as part of the banking stress tests conducted every two years under the supervision of the ECB (European Central Bank). The benchmarks used were from the last stress-testing exercise (1st quarter 2021).

However, as part of the SREP (Supervisory review and evaluation process), the ECB asked MFS to use internal models. MFS has therefore developed internal models (for portfolios where this was possible, i.e. with sufficient volume and data quality) and used these models to calculate the statistical forward-looking provisions in 2022. Proxies have been set up for portfolios without internal models (Example of proxies used: Average of the results of portfolios with internal models for portfolios without internal models)

The statistical provision is based on three scenarios:

- "Stability": which provides for three years of stability of the expected credit loss provision parameters (ECL: Expected Credit Losses), based on the latest available risk parameters;
- "Baseline": Use of stress parameters from internal models developed in 2022. Projections are based on macroeconomic data used for the institution’s Internal Capital Adequacy Assessment Process (ICAAP) dating from 09/2022 (except for Brazil where the macroeconomic data used is from 02/2022). This enables the PD and LGD, and therefore the ECL (Expected Credit Losses), to be stressed on portfolios with models;
- “Adverse”: Similar approach to the “Baseline” scenario but with the use of deteriorated macroeconomic data leading to higher ECLs .

The various scenarios are then weighted to take into account the latest OECD macroeconomic projections (GDP, unemployment rate and inflation) and thus calculate a statistical forward-looking provision (amount of the provision obtained by comparison with the IFRS 9 accounting provisions of the stability scenario).

Between December 2021 and December 2022, the OECD macroeconomic scenarios used for the weightings changed negatively due to the changing economic environment:

- The OECD has revised downwards the GDP forecasts for 2022 and 2023 for the majority of countries. For 2022, the forecasts were lowered by -1.6 points for France, -2.3 points for Germany, -0.9 point for Spain and Italy and -0.3 point for the United Kingdom. Conversely, in Brazil, the forecast improved by 1.3 points. In 2023, the deterioration in GDP forecasts was the most marked in the following countries: -1.5 points in France, around -2.5 points in Germany, Spain, Italy and the United Kingdom and -0.9 point in Brazil.

- Unemployment forecasts for 2022 and 2023 are slightly favorable in most countries. Stable in France, the United Kingdom, Germany and Italy, with a variation between -0.7 and +0.4 between 2022 and 2023. The OECD forecasts an improvement in Spain of 1.3 points in 2022 and -0.7 in 2023. In Brazil, the OECD forecasts a decrease of more than 3 points over the two years.

- With regard to inflation, the majority of countries experienced very high inflation in 2022 (above 8 points except France at 5.9%). In 2023, the OECD inflation forecast for all countries is between 4.8% (Spain) and 8.8% (Brazil).

Since the Covid-19 crisis, the forward-looking statistic includes a sectoral provision and is therefore composed of a statistical + sectoral provision. The calculation is made after restating the statistical provision for sectoral provisions in order to avoid double provisioning of outstandings.

Forward-looking - Sector approach

The sector-based forward-looking provision includes individuals working for an employer in high-risk sectors.

In the same way as of 31 December 2021, the estimate of the forward-looking provision has been completed for the Retail and Corporate customer segments deemed to be more specifically impacted by the crisis. In the absence of any actual late payments, the segments concerned were retained in their original bucket.

For Retail exposures, customers in France and the United Kingdom in risky business sectors were adjusted, bringing the coverage rate to that of Stage 2 for each sector considered. This adjustment covers €869 million in outstandings.

As for Corporate exposures to customers operating in business sectors particularly impacted by the crisis, but for which an individual analysis was not possible, the adjustment made raised the provisioning rate to the rate observed for outstandings in the same segments recognized in bucket 2. The Corporate outstandings concerned amount to €1,046 million.

Since end of 2020, additional hedging was assigned to the main business sectors affected by the Covid-19 crisis (hotels, catering, passenger transport, etc.) by applying the hedging ratio for B2 outstandings to B1 exposures. They were occasionally supplemented by a small number of sectors specific to certain countries. This adjustment represented €46.9 million at the end of December 2022, compared with €47 million at the end of 2021.

Forward-looking – Statistical approach

Due to the use of internal models in the statistical forward-looking calculation, the Baseline scenario has become the scenario with macroeconomic data projections most in line with those of the OECD (dating from November 2022).

Given the high volatility observed in recent years (Covid in 2019, lockdowns, war in Ukraine, semiconductor crisis) and the macroeconomic changes seen in 2022 (acceleration of inflation), the probability of occurrence of the "Stability" scenario was considered to be relatively low. It therefore remains a potential scenario but the weight of this scenario has been reduced compared to previous years in order to obtain better representation of the "Baseline" scenario given its alignment with the OECD projections of November 2022.

Thus, compared to the weightings of 31 December 2021, the Mobilize Financial Services Group has decided, in the majority of countries, to reduce the weight of the Stability scenario and increase the weight of the "Baseline" scenario.

	FL Scenario Poids - Decembre 2021			FL Scenario Poids - Decembre 2022			2022 vs 2021		
	stability	Baseline	Adverse	stability	Baseline	Adverse	stability	Baseline	Adverse
France	0.75	0.05	0.20	0.10	0.65	0.25	-0.65	0.60	0.05
Germany	0.75	0.10	0.15	0.10	0.60	0.30	-0.65	0.50	0.15
Italy	0.70	0.05	0.25	0.10	0.65	0.25	-0.60	0.60	0.00
UK	0.70	0.05	0.25	0.10	0.65	0.25	-0.60	0.60	0.00
Brazil	0.50	0.10	0.40	0.55	0.10	0.35	0.05	0.00	-0.05
Spain	0.70	0.05	0.25	0.10	0.65	0.25	-0.60	0.60	0.00
Korea	0.65	0.20	0.15	0.10	0.65	0.25	-0.55	0.45	0.10
Hors G7 (ECLAT)	0.75	0.05	0.20	0.10	0.65	0.25	-0.65	0.60	0.05

- Customer financing activity: the "Stability" scenarios for all countries excluding Brazil have been reduced to 10% in order to take into account the use of internal models and a baseline scenario more in line with the latest economic data. For Brazil, the weighting has been maintained at 55% as in the previous year in order to take into account the volatility of the country's macroeconomic data in recent years (instability not captured by the baseline scenario).

  The "Baseline" scenarios, which are the most in line with the OECD's macroeconomic forecasts, were weighted at 65%, with the only exceptions being Germany and Brazil.

  Germany with a "Baseline" scenario weighted at 60% in order to take into account a gap between GDP growth forecasts in this scenario and the decline forecast by the OECD.

  The German macro-economic picture shows a higher GDP and lower inflation than the recent OECD scenario, the risk is a bit higher and we propose a higher weighting of the unfavorable scenario at 30%. Brazil, as seen above, where the "baseline" scenario has been weighted at 10% due to the economic uncertainty seen. We note very high volatility in the GDP and the unemployment rate in recent years in Brazil. The policy of the new government formed in 01/2023 also brings additional uncertainty to the results of the economic policy and the potential reaction of the financial markets.

  The Adverse scenarios have been weighted at 25% (excluding Germany at 30% and Brazil at 35%).

- Dealer network financing activity: The weighting of each scenario has been aligned with the weightings for the customer financing activity, with the exception of Brazil, where the "Baseline" has been weighted at 10% and the "Adverse" at 40% in line with the previous update from June 2022.

Réseau	FL Scenario Poids - Decembre 2021			FL Scenario Poids - Decembre 2022			2022 vs 2021		
	stability	Baseline	Adverse	stability	Baseline	Adverse	stability	Baseline	Adverse
France	0.65	0.05	0.30	0.10	0.65	0.25	-0.55	0.60	-0.05
Germany	0.70	0.05	0.25	0.10	0.60	0.30	-0.60	0.55	0.05
Italy	0.55	0.05	0.40	0.10	0.65	0.25	-0.45	0.60	-0.15
UK	0.65	0.05	0.30	0.10	0.65	0.25	-0.55	0.60	-0.05
Brazil	0.50	0.05	0.45	0.55	0.05	0.40	0.05	0.00	-0.05
Spain	0.55	0.05	0.40	0.10	0.65	0.25	-0.45	0.60	-0.15
Korea							0.00	0.00	0.00
Hors G7 (ECLAT)	0.65	0.05	0.30	0.10	0.65	0.25	-0.55	0.60	-0.05

Following these changes in weightings, the statistical forward-looking provision is €101.2 million, compared with €87.6 million in December 2021.

<u>Forward-looking statistical sensitivity versus December 2021:</u>

The application of a weighting of 100% to the stability scenario would be equivalent to calculating the ECL without applying stress and would lead to a reduction in the statistical impairment of €87.6 million.

The application of a weighting of 100% to the baseline scenario would lead to a reduction of €45.7 million in the statistical impairment

The application of a weighting of 100% to the adverse scenario would lead to an increase of €172.2 million in the statistical impairment.

The statistical and sectoral provision stood at €147.9 million compared to €134.8 million in December 2021.

In millions of euros	Customer			Dealer financing			Total 12/2022
	Bucket 1	Bucket 2	Bucket 3	Bucket 1	Bucket 2	Bucket 3	
France	28,8	16,8	1,2	1,0	0,0	0,0	**47,9**
Brazil	1,2	1,7	2,3	0,1	0,0		**5,4**
Italy	7,7	9,1	0,8	(0,0)	(0,0)	0,1	**17,7**
Spain	10,9	6,4	1,6			0,1	**18,9**
Morocco	6,0	2,0	0,6	0,0	(0,0)	0,0	**8,7**
United Kingdom	9,5	2,7	0,3				**12,5**
Germany	7,3	6,2	0,9			0,0	**14,4**
Colombia	1,9	4,1	0,4			0,0	**6,5**
Portugal	1,8	0,8	0,0	0,0	(0,0)	0,0	**2,7**
Austria	3,0	0,6	0,0	0,0			**3,6**
Poland	2,2	1,2	0,2	0,0	(0,0)	0,0	**3,6**
Czech Rep	0,7	0,1	0,0	0,0			**0,8**
Other	2,0	2,9	0,4	0,1	(0,0)		**5,4**
Total	**83,1**	**54,6**	**8,8**	**1,2**	**0,0**	**0,2**	**147,9**

In millions of euros	Customer			Dealer financing			Total 12/2021
	Bucket 1	Bucket 2	Bucket 3	Bucket 1	Bucket 2	Bucket 3	
France	27,3	5,8	5,6	9,5	0,4	0,0	**48,6**
Brazil	3,6	6,0	2,2	1,3	0,2		**13,3**
Italy	5,8	2,5	2,0	2,0	0,4	0,4	**13,0**
Spain	4,3	2,9	2,1	2,7	0,8	0,1	**12,9**
Morocco	5,8	1,3	1,4	1,1	0,3	0,1	**9,9**
United Kingdom	4,9	1,7	0,7	0,4	0,0		**7,7**
Germany	3,2	2,1	0,8	1,0	0,1	0,0	**7,2**
Colombia	3,1	0,8	0,7	0,1	0,1	0,0	**4,7**
Portugal	3,2	0,2	0,1	1,0	0,0	0,0	**4,5**
Austria	2,2	0,3	0,1	0,4	0,0		**3,0**
Poland	1,5	0,3	0,3	0,6		0,1	**2,8**
Czech Rep	0,9	0,0	0,0	0,1	0,0	0,0	**1,1**
Other	1,9	1,5	0,5	1,7	0,5	0,0	**6,1**
Total	**67,5**	**25,5**	**16,5**	**21,9**	**2,8**	**0,7**	**134,8**

Provisions for appraisals (additional non-model adjustments)

An expert adjustment of the provisions may be made locally if necessary. The expert can adjust the allocation of an exposure in buckets 1 and 2 and the calculated ECL if he/she has additional information. These adjustments must be justified and are classified into six categories: Moratoria / Vulnerable customers, Inflation, Rentacar / Short-Term Renting, Individual, Risk Parameters, Others.

Vulnerable customers

The specific credit risk on customers who benefited from deferrals or maturity extensions during the Covid-19 crisis is now assessed as low or zero, as all customers have resumed their loan repayments for more than one year. However, in Italy, where a significant proportion of the portfolio was able to benefit from payment moratoria, an appraisal was kept on the basis of a counterparty quality screening by a credit bureau.

The inventory from this appraisal represented a provision of €5.3 million at the end of December 2022, compared with €31.9 million at the end of 2021 for all the countries concerned.

The system for vulnerable customers has been extended and strengthened in 2022 to enable early detection of Retail customers likely to be in difficulty, using decision trees or scores specific to each country. Bucket 1 customers who were assigned a medium or high severity grade were then covered at the bucket 2 rate.

The inventory from this appraisal complementary represented a provision of €17.4 million at the end of December 2022 compared to €9.1 million at the end of 2021 (only for Spain in 2021).

Inflation

For Retail portfolios, an adjustment related to the solvency deterioration of customers, whose cost of living is impacted by inflation, was made across the board at the end of 2022. It consists of estimating what proportion of the bucket 1 portfolio would be likely to pass through bucket 2 by stressing the cost-of-living items, and covering its outstandings at the bucket 2 rate.

The inventory from this Inflation appraisal represented a provision of €42.7 million at the end of December 2022 compared to €3.9 million at the end of 2021 (only for the UK in 2021). In 2021, inflation appraisal of UK aimed to evaluate the impact of Brexit.
It was verified that this amount did not overlap with the forward-looking.

Rentacar / Short Term Renting

These are appraisals related to short-term leasing companies. This appraisal's inventory represented €3.7 million at the end of December 2022.

Individual

In the event of non-model adjustments following an individual review of corporate counterparties (excluding wholesale), the healthy exposure is downgraded to B2.

Forbearance should not lead to systematic downgrading from one bucket to another (and in particular from Bucket 1 to Bucket 2). Instead, counterparties should be analyzed (on an individual or collective basis) to differentiate those suffering real deterioration in their credit risk over the life of the assets from those only encountering "temporary liquidity problems".

These appraisals are applied during individual company reviews based on a minimum threshold of outstandings. They represented €20.5 million at the end of December 2022, a reversal of €11.2 million compared to the end of December 2021. This reversal was concentrated in France and reflects the improvement of the financial indicators of companies subject to individual review.

Risk Parameters

These appraisals are performed in order to cover biases or uncertainties regarding the risk parameters. They can also be applied to anticipate changes in parameters or model changes. They amounted to €17.3 million at the end of December 2022 compared to €32.4 million at the end of December 2021.

Others

This type of appraisal includes those that have not been classified in one of the other five categories. They totaled €3.5 million at the end of December 2022.

Application of the new definition of default

In 2021, the Mobilize Financial Services Group finalized its project to comply with the new definition of default for countries using the advanced method (France, Italy, Spain, Germany, the United Kingdom, and South Korea) and for countries using the standardized method (Brazil and non-G7 countries).

The provisioning parameters (probability of default, measurement of the loss incurred in the event of a counterparty default) are currently set according to the methods applicable to the new default (reconstruction of the calculation history, adapted "days past due" counter, etc.). The loss incurred in the event of counterparty default parameter has been updated on a monthly basis for all countries since June 2022.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, groupe Mobilize Financial Services has prepared its consolidated financial statements for 2022 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) at 31 December 2022 and as adopted in the European Union by the statement closing date.

A) Changes in accounting policies

The Mobilize Financial Services group applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2022.

- **New regulations that must be applied at 1 January 2022**

Amendment IAS 16	Revenue generated before intended use
Amendment IFRS 3	Update of the reference to the conceptual framework
Amendement IAS 37	Costs to be taken into account when determining if the contract is onerous
Annual improvements (2018-2020 cycle)	Annual standards improvement process

The application of the other standards and amendments from January 1, 2022 has no significant effect on the group's financial statements.

- **New texts not applied in advance by the group**

Amendment IAS 1	Information on material accounting policies	01/01/2023
Amendment IAS 8	Definition of accounting estimates	01/01/2023
IFRS 17 and amendments	Insurance policies	01/01/2023
Amendment IFRS 17	First-time adoption of IFRS 17 and IFRS 9 – Comparative information	01/01/2023
Amendment IAS 12	Deferred tax on assets and liabilities arising from the same transaction	01/01/2023

The Mobilize Financial Services group is currently analyzing the potential impacts but at this stage does not anticipate any significant impact on the consolidated financial statements arising from the application of amendments IAS 1, IAS 8 and IAS 12.

IFRS 17 "Insurance contracts", published on 18 May 2017, and amended by the amendments of 25 June 2020, sets out the principles of recognition, measurement, presentation, and disclosures for insurance contracts. It replaces IFRS 4 "Insurance contracts" and will be applicable for fiscal years starting on or after 1st January 2023.

IFRS 17 applies mainly in the Mobilize Financial Services Group to insurance policies issued and reinsurance agreements taken out by RCI Life and RCI Insurance. Policies will now be valued according to the general model (known as the "building blocks approach") comprising: (1) estimates of future cash flows discounted using the so-called "bottom-up" approach, which consists of determining the discount rates by adjusting a risk-free yield curve of liquid assets to take into account the differences in liquidity between the financial instruments whose rates were observed in the market and those of the insurance policies and weighted by the probability of occurrence, (2) an adjustment for the non-financial risk and (3) the margin on contractual services. The margin on contractual services will be recognized in the income statement according to the coverage units provided during the period. The Mobilize Financial Services Group will apply the simplified retrospective approach to address the impact of the transition on the financial statements as of 1 January 2023. The Mobilize Financial Services Group expects that its implementation will have a positive impact on equity of around €130 million as of 1 January 2022, the date of the transition. At this date, in accordance with IFRS 17, the amount of technical provisions net of reinsurance assets is estimated at €129 million and the inventory of margin on contractual services at €332 million across the Mobilize Financial Services Group. The calculation of the impact of the applying IFRS 17 on the 2022 income statement is being finalized.

➢ **Other standards and amendments not yet adopted by the European Union**

Amendments IAS 1	Classification of liabilities as current or non-current liabilities.	01/01/2023
Amendments IFRS 16	Lease liabilities under sale-leaseback agreements	01/01/2024

The Mobilize Financial Services Group is currently analyzing the potential impacts but at this stage does not anticipate any significant impact on the consolidated financial statements arising from the application of these amendments.

➢ **Interpretation of the IFRS IC related to the recognition of "Targeted Long Term Refinancing Operations" (IFRS 9 and IAS 20)**

The IFRS IC decision aiming to clarify the analysis and recognition of TLTRO III transactions was made final in March 2022. This decision applies to the TLTRO III drawdowns performed by the Sales Financing sector, to which the Mobilize Financial Services Group has chosen to apply IFRS 9. More details are provided regarding these transactions in Note 12.

➢ **Hyperinflation in Turkey**

Turkey was identified on 16 March 2022 by the International Practices Task Force (IPTF) of the "Center for Audit Quality" as a country to be considered as being hyperinflationary for the preparation of the financial statements for the 2022 financial year.

ORFIN Finansman Anonim Sirketi, an entity accounted for using the equity method in the local functional currency, applied the restatement for hyperinflation at 31 December 2022. Its effect on the contribution to the Mobilize Financial Services Group's financial statements is deemed insignificant.

B) Consolidation principles

Scope and methods of consolidation

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

The securitized assets of Diac SA, RCI FS Ltd and the Italian, Spanish and German branches for which Mobilize Financial Services group has retained the majority of the risks and rewards, remain on the asset side of the balance sheet. Under IFRS 10, the group retains control of the securitization fund-FCT vehicles that it creates as part of its securitization program because it retains the most risky shares. These are what determine who has power in the securitization fund-FCT vehicle. Thus, because it has control, the group can consolidate and eliminate reciprocal transactions; while retaining the assigned receivables. 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. At the same time, the bonds issued by the Fund are included in the liabilities of the group's balance sheet, along with the related expenses.

Thus, during the securitization process, the group does not derecognize the securitized receivables because the vehicle (securitization fund-FCT), which manages the securitization, remains under the control of the Mobilize Financial Services group. The non-recognition of receivables assigned under the securitization programs is supported by paragraph 3.2.4 IFRS9.

It should be noted that under the "collection" business model, as part of the group's accounting and threshold policy, assignments of receivables via securitization are infrequent but significant. These sales of receivables through securitization do not call into question the "collection" business model applied to these portfolios.

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

Significant transactions between consolidated companies are eliminated.

For the most part, the companies included in group Mobilize Financial Services scope of consolidation are the Renault, Nissan, Dacia, Samsung and Datsun vehicle sales finance companies and the associated service companies.

Acquisition cost of shares and goodwill

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

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

And

- The net carrying amounts of identifiable assets acquired and liabilities assumed.

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

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

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

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

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

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

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

Non-controlling interests

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

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities in a total amount of €186 million at 31 December 2022, compared with €168 million at 31 December 2021. This liability is initially measured at the present value of the estimated exercise price of the put options.

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

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

Details of subsidiaries in which non-controlling interests are significant are detailed in note B.

C) Presentation of the financial statements

The summary statements are presented in the format recommended by the *Autorité des Normes Comptables* (French Accounting Standards Authority) in its Recommendation n° 2017-02 of 14 June 2017 on the format of consolidated financial statements for banking sector institutions applying international accounting standards.

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

D) Estimates and judgments

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

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

A few changes were made to the judgments and assumptions used compared to December 2021, concerning:

- Forward-looking for those internal models used for determining some calculate parameters
- ECL Adjustment intended a complement of ECL by issuing a few calculate model in order to take into account the background of particularities link with the macroeconomies situation.

In addition to these points above, the main areas of judgment and estimation in the preparation of the consolidated financial statements remain the same.

E) Loans and advances to customers and finance lease contracts

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

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

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

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

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

It should be noted that when commissions are attached to a loan or finance lease, the commissions are valued on an actuarial basis according to the contract’s effective interest rate. These commissions are spread over the life of the contract. Indeed, these fees are directly linked to the establishment of the contract and are therefore treated as incremental costs under IFRS 9.

When commissions are “stand-alone”, they are not attached to a financing contract. These fees are recognized in accordance with IFRS 15. They are recognized in the income statement when the performance obligation is fulfilled, i.e. either at a specific point in time or on a percentage-of-completion basis (see Note 27).

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

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

Significant deterioration in risk (definition of bucketing):

Each loan or receivable, at the reporting date, is classified in a risk category depending on whether or not it has suffered significant deterioration in credit risk since its initial recognition. This classification depends on the level of the provision for expected impairment to be recognized for each instrument:
- Bucket 1: no deterioration or insignificant deterioration in credit risk since origination;
- Bucket 2: significant deterioration in credit risk since origination or non-investment grade financial counterparty
- Bucket 3: deterioration such that the loss is proven (category of default).

This segmentation of outstandings by risk level, required under IFRS 9, is integrated into the credit risk monitoring and management processes of the group’s entities and implemented in the operating systems.

The origination date is defined at the level of each loan or receivable and not at the level of the counterparty (e.g. date of entry into relationship).
The origination date is defined as follows:

- for irrevocable financing commitments, the origination date is the date of signature of the commitment or, for Dealer network financing commitments, the date of the last review of the limits
- for outstandings on conventional loans, finance or operating leases, the date of origination is the date of the transition to management, i.e. the date on which the treatment of the financing commitment changes, and the receivable is recorded on the balance sheet.
- for Dealer network “single account” loan outstandings, the origination date will correspond to the date of the last transfer to the debit balance.
- for securities, the origination date corresponds to the purchase date

Identifying credit risk

The Mobilize Financial Services group currently uses a number of different internal rating systems:

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

As a result, the significant deterioration in credit risk is assessed at the transaction level, i.e. at the level of the financing contract (Retail and Corporate customers financing activity) or the financing line (Wholesale financing activity). For portfolios with an IRB-A rating, which are the largest majority in the Group, a downgrade from Bucket 1 to Bucket 2 is made depending on the downgrading of the transaction’s rating by in relation to origination.

Example: if the rating of a transaction is downgraded by x notches on the reporting date vs. the origination date, we downgrade the transaction from Bucket 1 to Bucket 2.

The number of notches "x" is determined depending on the portfolio in question.

The credit rating is not projected over the life of the transaction, nor over 12 months.

Restructured contracts (forborne) are also downgraded to Bucket 2.

For portfolios using the standard method (not rated), Bucket 1 is downgraded to Bucket 2 according to different decision trees between the Retail and Wholesale activities, taking into account, among other things, the presence of arrears and restructuring contracts (forborne).

The portfolios are divided into four segments on which behavioral scores are developed: Retail, Business Customers, Large Corporations (France only), Wholesale.

The score variables are specific to each country and each segment:

- Qualitative criteria: legal form of the company, age of the company, type of new vehicle/used vehicle, percentage of cash contribution, marital status, type of residence, occupation, etc.;

- Quantitative criteria: duration of outstanding arrears, period elapsed since the last deferred payment, exposure, initial financing period, usual balance sheet ratios.

Forborne exposures

The Mobilize Financial Services group uses the definition given by the European Banking Authority (EBA) in its ITS (Implementing Technical Standards) 2013/03 rev1 of 24.07.2014 to identify its forborne exposures (restructured loans).
Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.
It thus refers to cases where there is:

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

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

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

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

Financial difficulties however, are assessed at the debtor level.

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

- the contract is considered as performing and analysis of the financial condition of the debtor shows that they have recovered their creditworthiness and debt service ability,
- a minimum 2-year probation period has passed from the date the forborne exposure returned to being considered as performing,
- a regular and significant payments have been made by the debtor during at least half of the probation period,
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

If a contract currently considered as performing but previously classified as forborne again benefits from forbearance measures (such as an extension of term) or if any of the exposures to the debtor is more than 30 days past-due, it must be re-classified as a forborne exposure.

Impairment for credit risk

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

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

Definition of Expected Credit Loss

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

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

Generic ECL formula:

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

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

With:

- ✓ M = maturity
- ✓ EAD_i = expected exposure at the time of the start of default for the year in question (taking into account any early repayments)
- ✓ PD_i^9 = probability of default during the year in question
- ✓ $ELBE_0^9$ = best estimate of the loss in the event of default on the facility
- ✓ t = discount rate

Each of the parameters is individually calibrated.

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

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

Probability of default – PD:

The Mobilize Financial Services group capitalizes on the Basel provisions to calculate its IFRS 9 parameters.

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

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

Update:

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

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

Forward-looking perspective:

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

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

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

Macroeconomic indicators (such as GDP and long-term rates) and sector-based data are used to attach a probability of occurrence to each scenario and thus get the final forward-looking amount. Macroeconomic projections are used for all contracts in the portfolio, regardless of the product (lending, finance lease, operating lease).

In the Group, the forward-looking provision covers two components:

- The statistical provision, which takes into account macro-economic scenarios and is applied to all Customer and Dealer Network outstandings;
- The sectoral provision for Corporate Customers, whose purpose is to cover sectors identified as vulnerable (particularly during the Covid-19 crisis).

Definition of default used at Mobilize Financial Services group

Criteria for defaulting in the retail sector:

• Quantitative criterion: the absolute threshold and the relative threshold have been exceeded for more than 90 consecutive days.

or

• Qualitative criterion: Unlikeliness To Pay (UTP): signs of a probable lack of payment. Namely:

- there is one or more arrears for at least three months (in accordance with the new definition of default rules for counting arrears);
- or the deterioration in the counterparty’s financial circumstances translates into a risk of non-collection. In particular in the event of over-indebtedness/insolvency procedures, receivership, bankruptcy, compulsory liquidation, personal bankruptcy or liquidation of assets, or in the event of summons to appear before an international court;
- or there are litigation proceedings between the establishment and its counterparty.

The quantitative criteria for default are:

a) absolute materiality threshold (SA)

- The value of the absolute threshold was set by the regulator at €500 for non-retail arrears.

The value of the absolute threshold is to be compared with all non-technical arrears of the customer (single obligor) on the day of the calculation.

The threshold is considered to be reached if ∑ (the customer's non-technical arrears on day D) > SA

This calculation of all non-technical customer arrears must be performed on a daily basis.

Threshold value in non-euro currencies:

For countries outside the Euro zone, the absolute threshold must correspond to the equivalent of €100 and €500 in national currency.

The exchange rates applied in the Mobilize Financial Services group are always those used by Renault.

b) The value of the relative threshold was set by the ECB at 1%.

The value of the relative threshold of 1% is to be compared with the ratio "Sum of all of the customer's arrears on day D/Total value of the customer's balance sheet outstandings (including arrears) on day D.

This calculation must be carried out on a daily basis for arrears as well as for balance sheet outstandings.

The threshold is considered to be met if:

$$\left(\sum_{\text{Customer}} (\text{Arrears day D}) \,/\, \sum_{\text{Customer}} (\text{Balance sheet outstandings day D})\right) > SR$$

The customer's balance sheet outstandings will be calculated as follows:

OUTSTANDINGS =

+ Outstanding amounts due

- Credit balances

- Balance of security deposit

+ ICNE

+ Balance due recognized at invoicing (principal)

+ Balance due recognized at invoicing (collection costs)

+ Balance due recognized at invoicing (IR)

+ Balance not due (principal)

The definition of default for dealers is based on the presence of at least one of the following default criteria, common to the entire RCI scope:

Default:
1. Counting of late days

2. Inability to pay:
   a. one abstention
   b. Legal and litigation proceedings
   c. Inventory audit anomalies
   d. Fraud
   e. Other indications of improbability of payment (see details below)
   f. Contagion
   g. End of financial contract

3. Judicial liquidation

4. Forfeiture of term

For the retail sector and the dealer sector, defaulted receivables are excluded:

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

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

Rules for writing off loans

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

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

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

Transfer of bucket (complementary information)

In addition to the information already provided in the “Identification and analysis of credit risk” section, the conditions under which transactions previously classified in Bucket 2 are returned to Bucket 1 are as follows:

- retail and wholesale portfolios rated in IRB-A are returned to Bucket 1 when the rating of the transaction has improved;

- non-rated Retail portfolios under the standardized approach are returned to Bucket 1 twelve months after the date of settlement of the last unpaid rent;

- Wholesale portfolios under the standardized approach are returned to Bucket 1 when the risk status of the third party improves.

In addition, instruments classified in Bucket 3 are returned to Bucket 2 when the customer has repaid all of its outstandings and no longer meets the default criterion.

For the Retail activity, transactions can return from Bucket 3 to Bucket 2 when the customer settles its arrears.

For the Wholesale activity, any financing lines originated when the customer was in default (POCI) remain in Bucket 3. If there is a return to a healthy status, new exposures come into line with this status.

Impairment of residual values

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

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

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

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

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

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

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

F) « Operating leases » (IFRS 16) as lessor

In accordance with IFRS 16, Mobilize Financial Services group makes a distinction between finance leases and operating leases as lessor.

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

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

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

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

G) Operating leases (IFRS 16), lessee side

Pursuant to IFRS 16, all leases are recognized in the balance sheet through the recognition of an asset representing the right of use of the leased asset, in exchange for a lease liability, corresponding to the present value of the leased assets rents to be paid over the reasonably certain term of the lease. The lease term is the non-cancellable period during which the lessee has the right to use the asset leased, to which are added the renewal options that the group is reasonably certain to exercise.
The right of use generates depreciation expenses while the existence of a debt generates financial expenses.
The group has also opted for the exemption of low-value, short-term contracts. Indeed, groupe Mobilize Financial Services applies IFRS 16 only to its leases deemed material. These contracts are mainly represented by material real estate leases in certain subsidiaries and vehicle leases held solely by its subsidiary Bipi.

In fact, in the course of 2021, the group acquired Bipi, a platform offering car subscription packages; Car subscription. Bipi, through partnerships with long-term rental companies, chooses vehicles to put in its own window. This entity leases vehicles from these lessors for a minimum period of 24 months and a maximum of 36 months (Bipi therefore pays a monthly rent to the lessors, including services) without any residual value commitment and returns the vehicles to the lessors at the end of the contractual term.
Subsequently, Bipi sub-leases these vehicles (through its platform) to end customers with a mark-up that depends on the duration of the contract and therefore on the flexibility left to the customers (i.e. 3 month up to a maximum of 36 months) and takes care of the letting arrangements.

In view of this significant new activity, the Mobilize Financial Services group has activated its movable property contracts under IFRS 16. These are the only furniture contracts deemed material and at the end of December they represented:

Net right of use (see Note 10): €20.6 million
Lease debt (see Note 14): €20.6 million

H) Transactions between the Mobilize Financial Services group and the Renault-Nissan Alliance

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

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

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

Sales support

At 31 December 2022, the Mobilize Financial Services group had provided €18,232m in new financing (including cards) compared with €17,832m at 31 December 2021.

Relations with the dealer network

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

At 31 December 2022, dealer financing net of impairment allowances amounted to €10,429m against €6,770m at 31 December 2021.

At 31 December 2022, €489m was finance directly granted to subsidiaries or branches of Groupe Renault against €505m at 31 December 2021.

At 31 December 2022, the dealer network had received, as business introducers, remuneration of €764m against €837m at 31 December 2021.

Relations with the car makers

The Mobilize Financial Services group pays the car maker for vehicles delivered to dealers for which it provides financing. Conversely, at the end of the contract, the Groupe Renault pays the Mobilize Financial Services group for vehicles taken back under financial guarantees made by the car maker. These transactions generate substantial cash flows between the two groups.

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the Mobilize Financial Services group. At 31 December 2022, this contribution amounted to €357m against €338m at 31 December 2021.

I) Recognition and measurement of the securities portfolio

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

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

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

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

The fair value of financial assets is determined as a priority by reference to the market price, or, which failing, on the basis of valuation methods not based on market data.

Securities measured at fair value through OCI (FV OCI)

This category includes securities that pass the SPPI tests and in Mobilize Financial Services group it concerns:

- Debt instruments :

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

J) Tangible and intangible non-current assets (IAS16 / IAS36)

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

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

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

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

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

K) Income taxes (IAS 12)

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

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

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

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

Overview of plans

The Mobilize Financial Services group uses different types of pension and post-employment benefit plans:

<u>Defined benefit plans:</u>

Charges are booked to provisions for these plans to cover:

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

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

The Mobilize Financial Services group affiliates that use external pension funds are RCI Financial Services Ltd and

RCI Finance SA.

Defined contribution plans:

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

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

Valuation of liabilities for defined benefit plans

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

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

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

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

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

M) Translation of financial statements of foreign companies

The presentation currency used by the group is the euro.

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

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

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

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

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

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

N) Translation of foreign currency transactions

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

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

O) Financial liabilities

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

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

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

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

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

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

P) Structured products and embedded derivatives

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

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

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

Q) Derivatives and hedge accounting

Risks

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

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

The financial instruments used by Mobilize Financial Services can be classified as fair value hedges or cash flow hedges. A fair value hedge protects against changes in the fair value of the assets and liabilities hedged. A cash flow hedge protects against changes in the value of cash flows associated with existing or future assets or liabilities. The Mobilize Financial Services Group applies the IFRS 9 provisions to designate and monitor its hedging relationships.

Measurement

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

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

- The fair value of forward currency agreements and currency swaps is determined by discounting cash flows at market interest rates and exchange rates at the closing date. It also incorporates the measurement of interest rate and currency swap “base” effects.
- The fair value of interest-rate derivatives represents what the group would receive (or would pay) to unwind the running contracts at the closing date, taking into account unrealized gains or losses as determined by current interest rates at the closing date.

Credit adjustment

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

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

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

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

Fair value hedge

Mobilize Financial Services group has elected to apply fair value hedge accounting for hedging interest-rate risk on fixed rate liabilities using a receive fixed/pay variable swap or cross currency swap;

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

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

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

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

Cash flow hedge

Mobilize Financial Services group has elected to apply cash flow hedge accounting in the following cases:

- Hedging interest-rate risk on variable rate liabilities using a receive variable/pay fixed swap, enabling them to be backed by fixed rate assets

- Hedging interest-rate risk on fixed rate liabilities and pay variable/pay fixed swap by using a pay fixed/receive variable swap
- Hedging future or probable cash flows in foreign currency.

Cash flow hedge effectiveness tests are performed at each balance sheet date to ensure that the relevant transactions are eligible for hedge accounting. The Group calculates a hedging ratio to ensure that the nominal amount of the hedges does not exceed the nominal amount hedged.. For the second type of hedging, the test performed entails ascertaining that interest-rate exposure on the cash flows from reinvestment of non-derivative financial assets is indeed reduced by the cash flows from the derivatives used for hedging.

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

Trading transactions

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

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

R) Operating segments (IFRS 8)

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

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

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

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

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

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

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

Business	**Retail customers**	**Dealer network**
Lending	✓	✓
Finance Lease	✓	NA
Operating Lease	✓	NA
Services	✓	NA

S) Insurance

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

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

Assets dedicated to insurance:

The primary objective of the Group's investment strategy is to protect and preserve its assets, with all investment decisions to be made in accordance with the "prudent person" principle, while seeking an adequate return to ensure that investments are made in the best interests of policyholders.
In this respect, the insurance business investment portfolio can be considered conservatively managed as it is largely composed of corporate, sovereign and supranational bonds, term loans as well as demand deposits. Following the previous year, the Group continued to diversify its holdings into investment grade corporate bonds. (see Note 4)

It should be noted that bonds and term loans are held to maturity in accordance with the Group's business model policy of "inflows".

Technical liabilities on insurance contracts

- Provisions for unearned premiums (non-life insurance): Technical reserves for unearned premiums are equivalent to the portion of the premiums relating to the period between the inventory date and the following endowment date. They are calculated by policy on a prorata daily basis;
- Policy reserves (life insurance): These are intended to cover the long-term obligations (or payment of benefits) resulting from the commitments given, and the costs of managing such contracts. They are calculated by policy on a prorata daily basis;
- Reserve for outstanding claims: the reserve for outstanding claims represents the estimate, net of outstanding recoveries, of the cost of all claims reported but not yet settled at the closing date. Outstanding claim reserve are calculated by claim file based on reserving rules set according to the insurance benefit definition;
- IBNR (Incurred But Not Reported) claim provisions: these are reserves for claims not yet reported, estimated on a statistical basis. They are calculated according to an actuarial method (method type: "chain ladder"), where the ultimate claim charge is estimated from a statistical analysis of the payments development on past claim history. Historical data is calculated using a Best Estimate method, plus a calibrated prudential margin. Thus, the IBNR provisions are always sufficient even in the event of a very unfavorable scenario.

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

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

The modeling of future cash flows in the insurance liability adequacy test are based on the following assumptions:

- The frequency of claims, corresponding to the mortality rates for the death cover, the incidence rate for the incapacity for work and unemployment cover, and the frequency of total loss of the vehicles for the financial loss cover;
- The claims acceptance rate, which reflects the impact of claims management on the eligibility of claims reported to the insurer;
- The policy surrender rate to take into account policy terminations prior to term, specifically early repayments of the corresponding underlying financing assets. This repurchase rate will impact all future cash flows (premiums, claims, expenses, etc.) by modifying their probability of occurrence;
- General expenses assumptions expressed in the form of variable costs per item (administration, claims management, financial, production) and fixed costs to reflect the overhead costs of insurance companies;
- The interest rate curve used to discount future cash flows. The curve used is that provided quarterly by

EIOPA.

At the end of 2022, this liability adequacy test did not reveal any anomalies.

Income statement:

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

Risk management:

The Group adopts a “prudent approach” to its management of the risks to which it could be exposed through its insurance activities.

Risk of contrepartie

As stated above, insurance company only invests in assets (bank deposit, sovereign bonds, supra or agencies or corporate bonds) of quality investment grade with low credit risk.

Interest rate risk

As part of the Solvency II calculations, a rate shock scenario of +/- 100 bp is simulated. As of 31/12/2022, the impact of an increase of 100 bp on the asset portfolio was -€4.9 million, i.e. 1.5% of the portfolio value. However, it is important to note that companies systematically keep their assets until maturity.

Liquidity risk

Insurance company don’t have financial debt. The Company’s main financial liabilities are short-term debt. Most exposure to liquidity risk comes from the need to settle future obligations relating to insurance technical provisions (these commitments to clients are more than one year) and other liabilities such as income tax and other amounts due. In order to meet these obligations, the Group has set itself very strict liquidity analysis criteria based on a run-off scenario for the insurance portfolios updated every quarter and only invests in highly liquid assets which enhance the Group’s security profile.

It has no exposure to illiquid assets such as equities, real estate, equity investments, unlisted assets, etc.

Insurance/reinsurance risk

As part of our internal risk and solvency assessment (ORSA), insurance risk was classified as a major risk in terms of probability of occurrence and financial impact. We therefore simulated over four years (2022-2025) the impact of an increase in claims assumptions (Death PPI: +20%, Disability PPI +20%; and Unemployment PPI: +50%; Gap: +30%). This shock led to a 10% drop in profitability for the insurance subsidiary RCI Life and 6% for the insurance subsidiary RCI Insurance in the 2023-225 results. In addition, the solvency ratio should remain well above 100% for both companies (and around 200% of our target by adjusting the dividends paid downwards)

In addition, the Group does not rely on external refinancing for insurance activities.

T) Cash flow statement

The cash flow statement is presented on the basis of the indirect method model. The operating activities are representative of the Mobilize Financial Services group’s income-generating activities. Tax flows are presented with operating activities in full.

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

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

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

4. ADAPTING TO THE ECONOMIC AND FINANCIAL ENVIRONMENT

In a mixed economic environment, Mobilize Financial Services group continues to implement a prudent financial policy and reinforces its liquidity management and control system.

Liquidity

Mobilize Financial Services group pays great attention to diversifying its sources of access to liquidity. Since the start of the financial crisis of 2008, the company has largely diversified its sources of funding. In addition to its traditional bond investor base in euros, new investment areas have also been successfully worked.

By extending the maximum maturities of its issues in Euros to eight years, new investors looking for longer-term assets have been reached. In addition, the Group has access to the bond markets in multiple currencies, whether to finance European assets or to support its development outside Europe.

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

Lastly, the deposit collection activity, launched in February 2012, completes this diversification and strengthens the long-term structural liquidity ratio (NSFR).

Oversight of Mobilize Financial Services group’s liquidity risk takes into account EBA recommendations on the Internal Liquidity Adequacy Assessment Process (ILAAP) and is based on the following components:

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

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

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

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

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

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

Credit business risk

Following 2021, which was marked by the Covid-19 pandemic and the adaptation of acceptance and debt collection processes to this particular context, and in which an end to loan payment extensions was also envisaged and planned in all countries to support our customers in continuing the reimbursement of their loan payments and help them get through this difficult period, 2022 saw a certain stability in the processes.

The quality of the Customer portfolio was stable overall in 2022: 2.4% of customer outstandings were in default in December 2022, i.e. a slight decrease in the NPE rate compared to December 2021 at 2.52%, but stable in value, with outstandings in default of €979 million at the end of December 2022, compared to €989 million at the end of 2021.

Lastly, non-model adjustments were used. In particular, when an increase in credit risk appeared likely, they covered exposures that benefited from susceptible moratorium periods in 2020-2021 (in Morocco, Spain, Italy) or customers identified as vulnerable, with the help, if applicable, of external data (Spain, Italy, Portugal, Switzerland, Austria). The approach aimed at systematizing the identification and treatment of vulnerable customers is an in-depth approach. In addition, an appraisal on Retail customers whose solvency has deteriorated due to inflation was implemented at the end of 2022. It stresses the residual income of Retail customers, which makes it possible to estimate the proportion of Stage 1 outstandings that are likely to deteriorate and for which the coverage rate is then increased to the Stage 2 level.

The Mobilize Financial Services group continues to aim to maintain an overall credit risk at a level compatible with the expectations of the financial community and its profitability targets.

Profitability

Mobilize Financial Services group regularly reviews the costs of internal liquidity used to price customer transactions, thereby maintaining a margin on new lending in line with budget targets. Similarly, the pricing of financing granted to dealers is indexed on an internal base rate reflecting the cost of borrowed resources and liquidity cushions needed for business continuity.

Governance

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

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

Exposure to non-commercial credit risk

Financial counterparty risk arises from the investment of cash surpluses, invested in the form of short-term bank deposits with leading banks, investments in money market funds, the purchase of bonds issued by governments, supranational issuers, government agencies, and corporate bonds with an average duration of less than one year at 31 December 2022.

All these investments are made with counterparties of superior credit quality previously authorized by the Finance Committee. Mobilize Financial Services group pays close attention to diversifying its counterparties.

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

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

In addition, interest rate or foreign exchange hedging transactions using derivatives may expose the Company to counterparty risk. In Europe, where the Group is subject to EMIR regulations, derivatives are subject to counterparty risk mitigation techniques through bilateral collateral exchange or registration in a clearing house. Outside Europe, the Group pays close attention to the credit quality of the bank counterparties it uses for derivatives.

Macroeconomic environment

Global economic activity contracted in the second quarter of 2022, primarily due to the war in Ukraine and lower activity in China due to restrictions from its zero COVID policy. Despite some favorable aspects related to the continued easing of supply chain tensions, downside risks to global growth persist.

In the United States, after the contraction in activity in the first half of the year, growth is expected to remain moderate over the coming quarters. The labor market remains robust with an unemployment rate that remains at low levels (3.5% at the end of December). Inflation remains very high but is starting to show its first signs of slowing down (6.5% in December compared to 7.1% in November, 7.8% in October, 8.3% in August).

The persistence of a tight labor market and high inflation led the Fed to begin its monetary tightening cycle in March. The Fed Funds rate target was thus raised by 425 bps to 4.25-4.50%.

The ECB increased its key rate by 250 bp in 2022, increasing the marginal deposit rate from -0.50% to 2.00%. It plans to raise interest rates further to ensure inflation rapidly returns to its medium-term target of 2%. The ECB also clarified that it will only start reducing its balance sheet from the beginning of March 2023 (the portfolio of the “APP” asset purchase program will be reduced by an average of €15 billion per month until the end of the second quarter of 2023, and then its pace will be adjusted over time).

The Bank of England (BoE), one of the first central banks to have started the monetary tightening cycle, has raised its key rate several times to bring it from 0.25% at the end of 2021 to 3.50%.

Fears of stagflation led to high volatility in the financial markets. In Europe, bond yields rose in the path of US rates. The ten-year German government bond rate rose above the 2% mark to 2.57%, compared to a level of -0.19% at the end of 2021.

Following the downturn in inflation in the United States and Europe, equities and corporate bonds, which had suffered in the second and third quarters, began to rebound at the end of the year. After hitting a low of -25% at the end of September, the Euro Stoxx 50 ended the year at 3,793, a decline of -11.74%. Credit spreads followed a similar path: after a high of 138 bps in July. The IBOXX Corporate Bond index stood at 99 bps at the end of December compared with 61 bps at the end of December 2021.

5. REFINANCING

The group took advantage of the favorable market environment in January and issued a 3.5 years bond for €750 million. This transaction attracted an order book of more than 4.5 billion euros from over 180 subscribers. The group also made returned to the Swiss market with the placement of a CHF 110 million 3 years bond. In June, the Bank successfully placed its first green bond issue for €500 million that will be settled. Proceeds will be used to finance Battery Electric Vehicles (BEVs) and charging infrastructures. This last transaction demonstrates the group’s willingness to support the transition to electric mobility and tackle climate change. In September, in still volatile market conditions, a €650 million transaction was carried out with a maturity of six years. In November, in a particularly favorable market environment, a transaction of €750 million was carried out with a maturity of three years.

In the securitization market, the group sold approximately €700 million of notes backed by French auto loans and increased its private securitization in the UK for £100 million.

Against this backdrop of highly volatile markets, the retail savings activity proved to be particularly resilient and competitive in terms of funding cost compared with wholesale funding sources. Retail deposits increased by €2,1 billion since the beginning of the year to €24.4 billion.

These resources, together with €4.4 billion in undrawn confirmed bank lines, €4.6 billion in collateral eligible for Central Bank monetary policy operations, and €5.8 billion in highly liquid assets (HQLA), enable the Mobilize Financial Services group to maintain the financing granted to its customers for more than 11 months without access to external liquidity. At December 31, 2022, the Mobilize Financial Services group’s liquidity reserve (European scope) stood at €14.9 billion.

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 Mobilize Financial Services group is subject to compliance with the solvency ratio and liquidity ratios, risk division ratio and balance sheet balancing (leverage ratio). At 31 December 2022, the ratios calculated do not reveal any non-compliance with regulatory requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 : Segment information

1.1 - Segmentation by market

In millions of euros	Customer	Dealer financing	Other	Total 12/2022
Average performing loan outstandings	36 936	6 443		43 379
Net banking income	1 586	215	244	2 045
Gross operating income	1 058	160	185	1 403
Operating income	842	181	185	1 208
Pre-tax income	687	181	182	1 050

In millions of euros	Customer	Dealer financing	Other	Total 12/2021
Average performing loan outstandings	36 254	7 146		43 400
Net banking income	1 516	181	131	1 828
Gross operating income	1 031	135	86	1 252
Operating income	932	172	86	1 190
Pre-tax income	937	171	86	1 194

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

At the Net Banking Income level, given that most of the Mobilize Financial Services group ‘s segment income comes from interest, the latter are shown net of interest expenses.

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

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

Average Performing Assets (APA) is another indicator used to monitor outstandings. It is equal to average performing outstandings plus assets arising from operating lease operations.

For retail customers, it means the average of performing assets at end-period. For Dealers, it means the average of daily performing assets.

1.2 Segmentation by geographic region

In millions of euros	Year	Net Loans outstandings at year-end (1)	of which Customers outstandings at year-end (1)	of which Dealers outstandings at year-end
Europe	2022	45 125	35 387	9 738
	2021	40 832	34 551	6 281
of which Germany	*2022*	*7 981*	*6 803*	*1 178*
	2021	7 809	6 828	981
of which Spain	*2022*	*3 883*	*3 204*	*679*
	2021	3 593	3 253	340
of which France	*2022*	*17 264*	*12 711*	*4 553*
	2021	15 319	12 359	2 960
of which Italy	*2022*	*5 752*	*4 942*	*810*
	2021	5 352	4 875	477
of which United-Kingdom	*2022*	*5 302*	*4 383*	*919*
	2021	4 371	3 936	435
of which other countries (2)	*2022*	*4 943*	*3 344*	*1 599*
	2021	4 388	3 300	1 088
Africa - Middle East	2022	505	369	136
	2021	496	384	112
Asia - Pacific	2022	1 255	1 242	13
	2021	1 414	1 409	5
of which South Korea	*2022*	*1 255*	*1 242*	*13*
	2021	1 414	1 409	5
America	2022	2 607	2 065	542
	2021	2 227	1 855	372
of which Argentina	*2022*	*213*	*101*	*112*
	2021	*166*	*94*	*72*
of which Brazil	*2022*	*1 694*	*1 324*	*370*
	2021	*1 475*	*1 201*	*274*
of which Colombia	*2022*	*700*	*640*	*60*
	2021	*586*	*560*	*26*
Eurasia	2022			
	2021	14	14	
Total RCI Banque group	**2022**	**49 492**	**39 063**	**10 429**
	2021	**44 983**	**38 213**	**6 770**

(1) Including operating leases
(2) Belgium, Netherlands, Switzerland, Austria, Sweden, Hungary, Malta, Poland, Czech Republic, Slovenia, Slovakia, Croatia, Ireland, Portugal, Romania.

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

Note 2 : Cash and balances at central banks

In millions of euros	12/2022	12/2021
Cash and balances at central banks	**5 836**	**6 729**
Cash and balances at Central Banks	5 836	6 729
Term deposits at Central Banks	**38**	**16**
Accrued interest	38	16
Total cash and balances at central banks	**5 874**	**6 745**

Note 3 : Derivatives

In millions of euros	12/2022		12/2021	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**105**	**29**	**12**	**17**
Interest-rate derivatives	91	5	7	1
Currency derivatives	14	24	5	16
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**329**	**322**	**135**	**27**
Interest-rate and currency derivatives: Fair value hedges		315	84	6
Interest-rate derivatives: Cash flow hedges	329	7	51	21
Total derivatives	**434**	**351**	**147**	**44**

These line items mainly include OTC derivatives contracted by the Mobilize Financial Services Group as part of its currency and interest-rate risk hedging policy.

Derivatives qualifying as cash flow hedges are backed by floating rate debt and, since the application of the third part of IFRS 9 from January 2020, by aggregated packages consisting of fixed rate debt and an amortizing floating interest rate swap.

As part of the hedging of certain variable-rate liabilities (Deposits and TLTROs), the Mobilize Financial Services group has set up interest rate derivatives that do not qualify as hedging derivatives for accounting purposes according to the provisions of IFRS 9. Net banking income was positively impacted by a valuation effect of €79 million for these swaps due to the current increase in interest rates. It should be noted that this valuation impact is temporary and will tend towards a zero impact when these swaps mature.

The Mobilize Financial Services group has been required to hedge the impact of structural exchange rates since 2022. These hedging instruments are classified as “Hedges of net investments.”

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

Changes in the cash flow hedging instrument revaluation reserve

In millions of euros	Cash flow hedging	Schedule for the transfer of the CFH reserve account to the income statement		
		<1 year	1 to 5 years	+5 years
Balance at 31 December 2020	**(22)**	**(3)**	**(19)**	
Changes in fair value recognized in equity	27			
Transfer to income statement	11			
Balance at 31 December 2021	**16**	**1**	**15**	
Changes in fair value recognized in equity	198			
Transfer to income statement	4			
Balance at 31 December 2022	**218**	**15**	**203**	

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

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

Nominal values of derivative instruments by maturity and management intent

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2022	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	1 489			1 489	
Purchases	1 451			1 451	
Spot forex transactions					
Loans	1			1	
Borrowings	1			1	
Currency swaps					
Loans	122	136		258	
Borrowings	122	137		259	
Hedging of interest-rate risk					
Interest rate swaps					
Lender	11 172	12 628	250	24 050	
Borrower	11 172	12 628	250	24 050	

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2021	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	922			922	
Purchases	912			912	
Currency swaps					
Loans	187	72		259	
Borrowings	195	73		268	
Hedging of interest-rate risk					
Interest rate swaps					
Lender	13 410	9 303	750	23 463	
Borrower	13 410	9 303	750	23 463	

Note 4 : Financial assets

In millions of euros	12/2022	12/2021
Financial assets at fair value through other comprehensive income (**)	**521**	**837**
Government debt securities and similar	401	713
Bonds and other fixed income securities	119	123
Interests in companies controlled but not consolidated	1	1
Financial assets at fair value through profit or loss	**119**	**137**
Variable income securities	36	30
Bonds and other fixed income securities	71	70
Interests in companies controlled but not consolidated	12	37
Total financial assets (*)	**640**	**974**
(*) Of which related parties	*13*	*8*
(*) Of which assets dedicated to insurance	*180*	*145*

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	12/2022	12/2021
Credit balances in sight accounts at credit institutions	**1 638**	**1 236**
Ordinary accounts in debit	1 589	1 175
Overnight loans	49	61
Term deposits at credit institutions	**52**	**58**
Term loans in bucket 1	27	58
Term loans in bucket 2	25	
Total amounts receivable from credit institutions (*)	**1 690**	**1 294**
(*) Of which related parties	*2*	

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

Current bank accounts held by the FCTs (*Fonds Commun de Titrisation* - Securitisation Mutual Funds) contribute in part to the funds' credit enhancement. They totaled €1169m at year-end 2022 and are included in "Ordinary Accounts in debit".

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

Note 6 : Customer finance transactions and similar

In millions of euros	12/2022	12/2021
Loans and advances to customers	**48 631**	**44 074**
Customer finance transactions	33 901	29 894
Finance lease transactions	14 730	14 180
Operating lease transactions	**1 383**	**1 344**
Total customer finance transactions and similar	**50 014**	**45 418**

The gross value of restructured outstandings (including non-performing), following all measures and concessions to borrowing customers who encounter (or are likely in future to encounter) financial difficulties, amounts to €238 million at 31 December 2022, compared to €272 million at 31 December 2021. It was impaired in the amount of €78 million at 31 December 2022, compared with €80 million at December 31, 2021.

6.1 - Customer finance transactions

In millions of euros	12/2022	12/2021
Loans and advances to customers	**34 046**	**29 985**
Healthy factoring	217	164
Factoring with a significant increase in credit risk since initial recognition	7	13
Other healthy commercial receivables	3	4
Other healthy customer credit	31 038	27 105
Other customer credit with a significant increase in credit risk since initial recognition	1 729	1 687
Healthy ordinary accounts in debit	375	339
Defaulted receivables	677	673
Interest receivable on customer loans and advances	**80**	**62**
Other non-defaulted customer credit	41	41
Non-defaulted ordinary accounts	36	17
Defaulted receivables	3	4
Total of items included in amortized cost - Customer loans and advances	**560**	**594**
Staggered handling charges and sundry expenses - Received from customers	(59)	(67)
Staggered contributions to sales incentives by manufacturer or dealers	(265)	(307)
Staggered fees paid for referral of business	884	968
Impairment on loans and advances to customers	**(785)**	**(747)**
Impairment on healthy receivables	(151)	(134)
Impairment on receivables with a significant increase in credit risk since initial recognition	(110)	(98)
Impairment on defaulted receivables	(409)	(409)
Impairment on residual value	(115)	(106)
Total customer finance transactions, net	**33 901**	**29 894**

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

The factoring receivables result from the acquisition by the group of the Renault-Nissan Alliance's commercial receivables. Impairment on residual value concerns credit (risk borne and not borne).

6.2 - Finance lease transactions

In millions of euros	12/2022	12/2021
Finance lease transactions	**14 878**	**14 334**
Other healthy customer credit	13 029	12 384
Other customer credit with a significant increase in credit risk since initial recognition	1 512	1 584
Defaulted receivables	337	366
Accrued interest on finance lease transactions	**8**	**7**
Other non-defaulted customer credit	7	6
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	**162**	**116**
Staggered handling charges	28	49
Staggered contributions to sales incentives by manufacturer or dealers	(229)	(273)
Staggered fees paid for referral of business	363	340
Impairment on finance leases	**(318)**	**(277)**
Impairment on healthy receivables	(79)	(51)
Impairment on receivables with a significant increase in credit risk since initial recognition	(75)	(72)
Impairment on defaulted receivables	(163)	(153)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**14 730**	**14 180**

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

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2022
Finance leases - net investment	6 504	8 505	39	15 048
Finance leases - future interest receivable	489	487	15	991
Finance leases - gross investment	**6 993**	**8 992**	**54**	**16 039**
Amount of residual value guaranteed to RCI Banque group	4 950	5 054	1	10 005
Of which amount guaranteed by related parties	*2 823*	*2 069*		*4 892*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	4 170	6 923	54	11 147

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2021
Finance leases - net investment	6 432	7 983	42	14 457
Finance leases - future interest receivable	400	374	2	776
Finance leases - gross investment	**6 832**	**8 357**	**44**	**15 233**
Amount of residual value guaranteed to RCI Banque group	4 428	4 657	4	9 089
Of which amount guaranteed by related parties	*2 611*	*2 015*		*4 626*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	4 221	6 342	44	10 607

6.3 - Operating lease transactions

In millions of euros	12/2022	12/2021
Fixed asset net value on operating lease transactions	**1 402**	**1 360**
Gross value of tangible assets	2 148	1 985
Depreciation of tangible assets	(746)	(625)
Receivables on operating lease transactions	**19**	**12**
Non-defaulted receivables	12	9
Defaulted receivables	13	9
Income and charges to be staggered	(6)	(6)
Impairment on operating leases	**(38)**	**(28)**
Impairment on defaulted receivables	(9)	(7)
Impairment on residual value	(29)	(21)
Total operating lease transactions, net (*)	**1 383**	**1 344**
(*) Of which related parties	*(1)*	*(1)*

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

In millions of euros	12/2022	12/2021
0-1 year	79	87
1-5 years	255	157
+5 years	304	429
Total	**638**	**673**

6.4 - Maximum exposure to credit risk and indication concerning the quality of receivables deemed non impaired by the RCI Banque group

At 31 December 2022, the group's maximum aggregate exposure to credit risk stood at €63,461m against €58,532m at 31 December 2021. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on the Mobilize Financial Services group's off-balance sheet (see Note 23 Commitments received).

Amount of receivables due

In millions of euros	12/2022	of which non-defaulted (1)	12/2021	of which non-defaulted (1)
Between 0 and 90 days	611	362	570	324
Between 90 and 180 days	57		65	
Between 180 days and 1 year	59		59	
More than one year	48		52	
Receivables due	**775**	**362**	**746**	**324**

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

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

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

As at 31 December 2022, guarantees held on doubtful or delinquent receivables totaled €784m, against €805m at 31 December 2021.

6.5 - Residual values of risk carried by the group Mobilize Financial Services

The total risk on residual values carried by the Mobilize Financial Services group amounted to €2,506m at 31 December 2022 against €2,110m at 31 December 2021. A provision was made in the amount of €56 million at 31 December 2022 against €47 million at 31 December 2021 for the provision residual values of risk carried without battery risk and without Voluntary Termination risk (mainly concerns the United Kingdom). The provision for residual value risk borne is a provision that covers the loss of value borne by the Mobilize Financial Services group on the resale of a vehicle.

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 12/2022
Gross value	**40 154**	**10 477**	**524**	**51 155**
Healthy receivables	36 083	10 261	522	46 866
On % of total receivables	*89,9%*	*97,9%*	*99,6%*	*91,6%*
Receivables with a significant increase in credit risk since initial recognition	3 091	167		3 258
On % of total receivables	*7,7%*	*1,6%*		*6,4%*
Defaulted receivables	980	49	2	1 031
On % of total receivables	*2,4%*	*0,5%*	*0,4%*	*2,0%*
Impairment allowance	**(1 091)**	**(48)**	**(2)**	**(1 141)**
Impairment on healthy receivables	(354)	(20)	(1)	(375)
On % of total impairment	*32,4%*	*41,7%*	*50,0%*	*32,9%*
Impairment on receivables with a significant increase in credit risk since initial recognitio	(179)	(6)		(185)
On % of total impairment	*16,4%*	*12,5%*		*16,2%*
Impairment on defaulted receivables	(558)	(22)	(1)	(581)
On % of total impairment	*51,1%*	*45,8%*	*50,0%*	*50,9%*
Coverage rate	***2,7%***	***0,5%***	***0,4%***	***2,2%***
Healthy receivables	*1,0%*	*0,2%*	*0,2%*	*0,8%*
Receivables with a significant increase in credit risk since initial recognition	*5,8%*	*3,6%*		*5,7%*
Defaulted receivables	*56,9%*	*44,9%*	*50,0%*	*56,4%*
Net value (*)	**39 063**	**10 429**	**522**	**50 014**
(*) Of which: related parties (excluding participation in incentives and fees paid	*1*	*489*	*207*	*697*

In millions of euros	Customer	Dealer financing	Other	Total 12/2021
Gross value	**39 188**	**6 845**	**437**	**46 470**
Healthy receivables	35 073	6 619	436	42 128
On % of total receivables	*89,5%*	*96,7%*	*99,8%*	*90,7%*
Receivables with a significant increase in credit risk since initial recognition	3 124	165		3 289
On % of total receivables	*8,0%*	*2,4%*		*7,1%*
Defaulted receivables	991	61	1	1 053
On % of total receivables	*2,5%*	*0,9%*	*0,2%*	*2,3%*
Impairment allowance	**(975)**	**(75)**	**(2)**	**(1 052)**
Impairment on healthy receivables	(274)	(37)	(2)	(313)
On % of total impairment	*28,1%*	*49,3%*	*100,0%*	*29,8%*
Impairment on receivables with a significant increase in credit risk since initial recognitio	(161)	(9)		(170)
On % of total impairment	*16,5%*	*12,0%*		*16,2%*
Impairment on defaulted receivables	(540)	(29)		(569)
On % of total impairment	*55,4%*	*38,7%*		*54,1%*
Coverage rate	***2,5%***	***1,1%***	***0,5%***	***2,3%***
Healthy receivables	*0,8%*	*0,6%*	*0,5%*	*0,7%*
Receivables with a significant increase in credit risk since initial recognition	*5,2%*	*5,5%*		*5,2%*
Defaulted receivables	*54,5%*	*47,5%*		*54,0%*
Net value (*)	**38 213**	**6 770**	**435**	**45 418**
(*) Of which: related parties (excluding participation in incentives and fees paid	*9*	*505*	*264*	*778*

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

In customer activity, the provisioning rate for bucket 2 deteriorated slightly from 5.2% to 5.8% due to the unfavorable effect of the forward-looking and the LGD parameter, partly offset by an improvement in the PD parameter, while the provisioning rate of bucket 3 went from 54.5% to 56.9% between the end of 2021 and the end of 2022, due to the effect of the forward-looking and the LGD parameter, specifically in France and Brazil. The provisioning rate for Bucket 1 increased from 0.8% to 1%.

Note 7.1 : Breakdown of customer transactions by buckets and geographical areas

In millions of euros	Gross value receivables			Impairment receivables			Total
	Bucket 1	*Bucket 2*	*Bucket 3*	*Bucket 1*	*Bucket 2*	*Bucket 3*	12/2022
France	16 150	1 315	362	(83)	(68)	(205)	17 471
Germany	7 546	496	63	(22)	(20)	(30)	8 033
Italy	5 446	357	95	(21)	(16)	(68)	5 793
United Kingdom	5 159	286	40	(136)	(6)	(20)	5 323
Spain	3 719	225	83	(29)	(18)	(63)	3 917
Brazil	1 470	212	110	(19)	(19)	(56)	1 698
South Korea	1 209	53	35	(8)	(2)	(31)	1 256
Switzerland	768	76	11	(2)	(3)	(2)	848
Colombia	634	43	67	(8)	(12)	(23)	701
Poland	667	67	41	(3)	(4)	(14)	754
Netherlands	698	7	7	(1)		(1)	710
Portugal	598	21	6	(7)	(2)	(5)	611
Austria	543	16	2	(7)	(2)	(1)	551
Morocco	483	26	81	(14)	(8)	(54)	514
Other countries	1 776	58	28	(15)	(5)	(8)	1 834
	46 866	**3 258**	**1 031**	**(375)**	**(185)**	**(581)**	**50 014**

In millions of euros	Gross value receivables			Impairment receivables			Total
	Bucket 1	*Bucket 2*	*Bucket 3*	*Bucket 1*	*Bucket 2*	*Bucket 3*	12/2021
France	14 091	1 362	367	(63)	(61)	(187)	15 509
Germany	7 332	516	65	(13)	(13)	(32)	7 855
Italy	5 005	370	113	(19)	(20)	(73)	5 376
United Kingdom	4 154	342	44	(116)	(4)	(23)	4 397
Spain	3 487	153	94	(21)	(17)	(73)	3 623
Brazil	1 260	200	100	(17)	(23)	(44)	1 476
South Korea	1 351	67	35	(7)	(2)	(29)	1 415
Switzerland	685	66	10	(1)	(3)	(3)	754
Colombia	526	34	58	(13)	(3)	(16)	586
Poland	598	53	41	(4)	(3)	(15)	670
Netherlands	557	4	1	(2)		(1)	559
Portugal	526	22	4	(9)	(1)	(3)	539
Austria	570	11	7	(6)	(2)	(4)	576
Morocco	469	30	82	(13)	(8)	(53)	507
Other countries					(2)	(3)	1 576
	42 128	**3 289**	**1 053**	**(313)**	**(170)**	**(569)**	**45 418**

Note 7.2 : Change of customer finance transactions

In millions of euros	12/2021	Increase (1)	Reclas. (2)	repayment	Write off	12/2022
Healthy receivables	42 128	53 116	(1 418)	(46 960)		46 866
Receivables with a significant increase in credit risk since initial recognition	3 289		1 098	(1 129)		3 258
Defaulted receivables	1 053		320	(206)	(136)	1 031
Customer finance transactions (GV)	**46 470**	**53 116**		**(48 295)**	**(136)**	**51 155**

(1) Increase = New production

(2) Reclassification = Transfert beetwen buckets

Note 7.3 : Change of impairments of customer finance transactions

In millions of euros	12/2021	Increase (1)	Decrease (2)	Reclas. (3)	Variations (4)	Other (5)	12/2022
Impairment on healthy receivables (*)	313	93	(67)	(152)	190	(2)	375
Impairment on receivables with a significant increase in credit risk since initial recognition	170	32	(24)	(3)	9	1	185
Impairment on defaulted receivables	569	65	(192)	154	(10)	(5)	581
Impairments of customer finance transactions	**1 052**	**190**	**(283)**	**(1)**	**189**	**(6)**	**1 141**

(1) Increase = Allowance due to new production

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

(3) Reclassification = Transfert beetwen buckets

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

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

Note: increases (1), decreases (2), and variations (3) are accounted for in the income statement under Net banking income or cost of risk.

Other movements (4) and (5) are balance sheet changes only.

(*) Impairment on performing receivables includes impairments on residual values (vehicles and batteries) for an amount of €144 million at 31 December 2022, compared to €129 million at 31 December 2021.

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	12/2022	12/2021
Tax receivables	**386**	**312**
Current tax assets	41	21
Deferred tax assets	220	179
Tax receivables other than on current income tax	125	112
Adjustment accounts and other assets	**1 041**	**957**
Social Security and employee-related receivables	1	1
Other sundry debtors	537	476
Adjustment accounts - Assets	84	63
Other assets	3	2
Items received on collections	353	310
Reinsurer part in technical provisions	63	105
Total adjustment accounts – Assets and other assets (*)	**1 427**	**1 269**
(*) Of which related parties	*223*	*169*

Deferred tax assets are analysed in note 32.

Note 9 : Investments in associates and joint ventures

In millions of euros	12/2022		12/2021	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi (y compris R9879 - Ajustement pour Ofrin Finansman Anonim Sirketi)	15	2	16	4
RN SF B.V.		(110)	94	13
Nissan Renault Financial Services India Private Limited	37	3	36	2
Mobility Trader Holding Gmbh (RCI)	14	(16)		
R9879 - Ajustement pour R1033		(6)		
Total interests in associates	**66**	**(127)**	**146**	**19**

Note 10 : Tangible and intangible non-current assets

In millions of euros	12/2022	12/2021
Intangible assets: net	**34**	**11**
Gross value	75	48
Accumulated amortization and impairment	(41)	(37)
Property, plant and equipment: net	**22**	**28**
Gross value	127	126
Accumulated depreciation and impairment	(105)	(98)
Amortization right of use on rented asset: net	**67**	**55**
Gross value	121	92
Accumulated depreciation and impairment	(54)	(37)
Total tangible and intangible non-current assets	**123**	**94**

Property, plant and equipment includes real estate leases activated under IFRS 16 (see section 3.A “Changes in accounting policies”).

Entities of BIPI contributed an increase of €29 million for the net right of use, and €10 million in depreciation and impairment.

Note 11 : Goodwill

In millions of euros	12/2022	12/2021
United Kingdom	35	37
Germany	12	12
Italy	9	9
South Korea	19	19
Czech Republic	3	4
Spain	59	68
Total goodwill from acquisitions by country	**137**	**149**

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note B). These tests did not reveal any material impairment risk at 31 December 2022.

The group has finalized the determination of the fair values of the assets acquired and liabilities assumed from Bipi Mobility SL and its subsidiaries, of which it acquired 100% in July 2021 at a price of €67 million. This company is developing its offering in flexible vehicle leasing. The main adjustments relate to the brand, recognized for €8 million, and the technology, recognized for €5 million. The final goodwill is calculated at €59 million.

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

12.1 - Central Banks

In millions of euros	12/2022	12/2021
Term borrowings	3 711	3 738
Accrued interest	4	
Total Central Banks	**3 715**	**3 738**

At 31 December 2022, the book value of the collateral presented to the Bank of France (3G) amounted to €8,907m, that means €7,647m in securities issued by securitization vehicles and €1,261m in private accounts receivable.

The Group was able to benefit from the TLTRO III program, and was able to make three drawdowns during 2020:

- €750 million maturing in June 2023
- €500 million maturing in September 2023
- €500 million maturing in December 2023.

Two new drawdowns were made in 2021:

- €750 million maturing in September 2024
- €750 million maturing in December 2024

The IFRS IC decision clarifying analysis and recognition of TLTRO III transactions became final in March 2022. The Group has chosen to apply IFRS 9 to the drawdowns made on the TLTRO III program, considering that the ECB rate is a market rate. It applies in the same way to all banks benefiting from the program and the ECB can unilaterally change the MRO rate at any time.

The maximum interest rate applicable to TLTRO drawings is calculated based on the average deposit facility rate "DFR" of the European Central Bank (ECB). Rate reductions apply based on criteria of growth in loan grants.

The initial effective interest rate of the drawdowns takes into account the Group's achievement of the lending targets set for the reference period ending in March 2021. The ECB confirmed achievement of these objectives in September 2021. On 10 June, the Group received confirmation that the lending targets for the special additional reference period (October 2020 - December 2021) had been achieved and will therefore receive a subsidy over the corresponding special interest rate period (June 2021 - June 2022). In accordance with the current provisions of IFRS 9, this interest rate subsidy resulted in an adjustment of the value of the debt lines related to the TLTRO of €14 million.

TFSME program

The group was also able to avail itself of the TFSME program issued by the Bank of England in 2020 and draw down £409.3 million in 2021 with a maturity in September and October 2025.

The interest rate applicable to this financing is calculated on the basis of the Bank of England base rate (3.5% at 31 December 2022) plus a 0.25% spread.

The group applied IFRS 9 to its financing, considering this rate to be adjustable like a market rate applicable to all banks benefiting from the TFSME program.

12.2 - Amounts payable to credit institutions

In millions of euros	12/2022	12/2021
Sight accounts payable to credit institutions	**183**	**260**
Ordinary accounts	12	16
Other amounts owed	171	244
Term accounts payable to credit institutions	**1 829**	**1 737**
Term borrowings	1 734	1 669
Accrued interest	95	68
Total liabilities to credit institutions	**2 012**	**1 997**

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

12.3 - Amounts payable to customers

In millions of euros	12/2022	12/2021
Amounts payable to customers	**25 367**	**21 928**
Ordinary accounts in credit	256	202
Term accounts in credit	701	723
Ordinary saving accounts	17 647	15 715
Term deposits (retail)	6 763	5 288
Other amounts payable to customers and accrued interest	**106**	**102**
Other amounts payable to customers	60	65
Accrued interest on ordinary accounts in credit	14	21
Accrued interest on term accounts in credit	1	
Accrued interest on ordinary saving accounts	14	8
Accrued interest on customers term accounts	17	8
Total amounts payable to customers (*)	**25 473**	**22 030**
(*) Of which related parties	*769*	*740*

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

The Mobilize Financial Services group 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 and Spain in November 2020 marketing both savings accounts and term deposits accounts. In July 2021 the group initiated a partnership with a Raisin, a German fintech, to offer savings accounts in the Netherlands via the raisin.nl platform.

Deposit collection increased by €3,422 million (of which €1,938 million in sight deposits and €1,484 million in term deposits) in the year of 2022 to reach €24,441 million (of which €17,661 million in sight deposits and €6,780 million in term deposits) classified as other interest-bearing debt.

12.4 - Debt securities

In millions of euros	12/2022	12/2021
Negotiable debt securities (1)	**1 221**	**1 063**
Certificates of deposit	1 013	1 050
Commercial paper and similar	175	
Accrued interest on negotiable debt securities	33	13
Other debt securities (2)	**3 319**	**3 097**
Other debt securities	3 317	3 095
Accrued interest on other debt securities	2	2
Bonds and similar	**13 568**	**13 811**
Bonds	13 369	13 695
Accrued interest on bonds	199	116
Total debt securities	**18 108**	**17 971**

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

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

12.5 - Breakdown of liabilities by valuation method

In millions of euros	12/2022	12/2021
Liabilities valued at amortized cost - Excluding fair value hedge	**44 417**	**39 827**
Central Banks	3 715	3 738
Amounts payable to credit institutions	2 012	1 997
Amounts payable to customers	25 473	22 030
Debt securities	13 217	12 062
Liabilities valued at amortized cost - Fair value hedge	**4 891**	**5 909**
Debt securities	4 891	5 909
Total financial debts	**49 308**	**45 736**

12.6 - Breakdown of financial liabilities by rate type before derivatives

In millions of euros	Variable	Fixed	12/2022
Central Banks	3 715		3 715
Amounts payable to credit institutions	760	1 252	2 012
Amounts payable to customers	17 483	7 990	25 473
Negotiable debt securities	855	366	1 221
Other debt securities	3 311	8	3 319
Bonds	2 708	10 860	13 568
Total financial liabilities by rate	**28 832**	**20 476**	**49 308**

12.7 - Breakdown of financial liabilities by remaining term to maturity

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

Note 13 : Securitization

SECURITIZATION – Public issues												
Country	France	France	France	France	France	Italy	Germany	Germany	Germany	Germany	Spain	United Kingdom
Originator	DIAC SA	DIAC SA	DIAC SA	DIAC SA	DIAC SA	RCI Banque Succursale Italiana	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Bank Niederlassung	RCI Banque Sucursal en Espana	RCI Financial Services
Securitized collateral	Auto loans to customers	Receivables independant dealers	Auto loans to customers	Auto Leasing (Rent)	Auto Leasing (Rent)	Auto loans to customers	Auto loans to customers	Auto loans to customers	Receivables independant dealers	Auto loans to customers	Auto loans to customers	Auto loans to customers
Issuer	CARS Alliance Auto Loans France FCT Master	FCT Cars Alliance DFP France	CARS Alliance Auto Loans France V 2022-1	CARS Alliance Auto Leases France V 2020-1	CARS Alliance Auto Leases France Master	Cars Alliance Auto Loans Italy 2015 s.r.l.	CARS Alliance Auto Loans Germany Master	CARS Alliance Auto Loans Germany V 2021-1	Cars Alliance DFP Germany 2017	Cars Alliance Auto Loans Germany V 2019-1	Cars Alliance Auto Loans Spain 2022	CARS Alliance UK Master Plc
Closing date	May 2012	July 2013	May 2022	October 2020	October 2020	July 2015	March 2014	October 2021	July 2017	May 2019	November 2022	October 2021
Legal maturity date	August 2030	July 2028	November 2032	October 2036	October 2038	December 2031	March 2031	June 2034	August 2031	August 2031	October 2036	September 2032
Initial purchase of receivables	715M€	1 020 M€	759 M€	1 057 M€	533 M€	1 234 M€	674 M€	1 009 M€	852 M€	1 107 M€	1 223 M€	1 249 M€
Credit enhancement as at the closing date	Cash reserve for 1% Over-collateralization of receivables 13.3%	Cash reserve for 1% Over-collateralization of receivables 12,5%	Cash reserve for 0,7% Over-collateralization of receivables 13,7%	Cash reserve for 1% Over-collateralization of receivables 9%	Cash reserve for 1% Over-collateralization of receivables 11.05%	Cash reserve for 1% Over-collateralization of receivables 14.9%	Cash reserve for 1% Over-collateralization of receivables 8%	Cash reserve for 0,75% Over-collateralization of receivables 7.5%	Cash reserve for 1.5% Over-collateralization of receivables 20.75%	Cash reserve for 1% Over-collateralization of receivables 7.5%	Cash reserve for 1% Over-collateralization of receivables 8.8%	Cash reserve for 1% Over-collateralization of receivables 28%
Receivables purchased as of 31 December 2022	747 M€	1 267 M€	748 M€	770 M€	1 082 M€	1 780 M€	1 228 M€	1 018 M€	640 M€	276 M€	1 121 M€	1 348 M€
Notes in issue as at 31 December 2022 (including any units held by the RCI Banque group)	Class A Rating : AAA 667 M€	Class A Rating : AA 1 000 M€	Class A Rating : AAA 650 M€	Class A Rating : AAA 727 M€	Class A Rating : AAA 1 026 M€	Class A Rating : AA 1835M€	Class A Rating : AAA 1 097 M€	Class A Rating : AAA 900M€	Class A Rating : AAA 540M€	Class A Rating : AAA 206 M€	Class A Rating : AA 1 120 M€	Classe A Rating : AA 846 M€
			Class B Rating : AA 52 M€	Class B Rating : AA 42 M€				Class B Rating : AA 24 M€		Class B Rating : AA 26 M€		
	Classe B Non rated 102 M€		Class C Non rated 45 M€	Class C Non rated 53 M€	Class B Non rated 128 M€	Class J Non rated 296 M€	Class B Non rated 83 M€	Class C Non rated 49 M€		Class C Non rated 51 M€	Class B Non rated 108 M€	Classe B Non rated 345M€
Period	Revolving	Revolving	Revolving	Amortizing	Revolving	Revolving	Revolving	Revolving	Revolving	Amortizing	Revolving	Revolving
Transaction's nature	Retained	Retained	Market	Market	Retained	Retained	Retained	Market	Retained	Market	Retained	Retained

In 2022, the RCI Banque Group completed public securitization transactions in France and an operation of securitization retained in Spain by means of special purpose vehicles.

In addition, and as part of its efforts to diversify its refinancing, operations were secured by banks or conduits. As these issues are private, their terms and conditions are not disclosed in the above table.

At 31 December 2022, the amount of financing obtained through securitization by conduit totaled €1,079m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €2,626m.

The securitization transactions carried out by the group all meet the requirement under Article 405 of European Directive No. 575/2013 for a net economic interest of not less than 5% to be retained. These transactions were not intended to result in derecognition of the receivables transferred, and at 31 December 2022, the amount of the sales financing receivables thus maintained on the balance sheet totaled €13,926m (€12,590m at 31 December 2021), as follows:
- Securitization transactions placed on the market: €2,812m
- Retained securitization transactions: €9,211m
- Private securitization transactions: €1,903m

The fair value of these receivables is €13,534m at 31 December 2022.

Liabilities of €3,319m have been booked under "Other debt securities" corresponding to the securities issued during securitization transactions. The fair value of these liabilities is €3,377m at 31 December 2022.

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

Note 14 : Adjustment accounts & miscellaneous liabilities

In millions of euros	12/2022	12/2021
Taxes payable	**951**	**827**
Current tax liabilities	108	136
Deferred tax liabilities	818	670
Taxes payable other than on current income tax	25	21
Adjustment accounts and other amounts payable	**2 004**	**1 916**
Social security and employee-related liabilities	64	61
Other sundry creditors	952	857
Debt on rented asset	69	58
Adjustment accounts - liabilities	508	569
Accrued interest on other sundry creditors	400	366
Collection accounts	11	5
Total adjustment accounts - Liabilities and other liabilities (*)	**2 955**	**2 743**
(*) Of which related parties	*119*	*212*

Deferred tax assets are analyzed in note 32.

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

Note 15 : Provisions

In millions of euros	12/2021	Charge	Reversals		Other (*)	12/2022
			Used	Not Used		
Provisions on banking operations	**476**	**320**	**(49)**	**(277)**		**470**
Provisions for signature commitments	8	11		(8)		11
Provisions for litigation risks	6	4		(2)	1	9
Insurance technical provisions	436	299	(48)	(261)	(1)	425
Other provisions	26	6	(1)	(6)		25
Provisions on non-banking operations	**122**	**32**	**(16)**	**(4)**	**9**	**143**
Provisions for pensions liabilities and related	51	5	(3)		(16)	37
Provisions for restructuring	15	19	(10)	(2)		22
Provisions for tax and litigation risks	53	5	(1)	(1)	23	79
Other	3	3	(2)	(1)	2	5
Total provisions	**598**	**352**	**(65)**	**(281)**	**9**	**613**

(*) 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 S.A. 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.

The 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 €425 million at end-December 2022.

The other changes in the provision for tax and litigation risks are mainly due to the statement of financial position reclassification of the Brazilian Pis & Cofin provision in 2022, originally classified as “Other sundry creditors.”

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

Provisions for litigation risks on banking operations relate to administration/processing fees billed to business customers.

Insurance risk

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

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

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

Key assumptions

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

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

Provisions for pension and other post-employment benefits

In millions of euros	12/2022	12/2021
France	25	32
Rest of world	12	19
Total provisions	**37**	**51**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2022	12/2021
Retirement age	67 years	67 years
Salary increases	1,84%	1,82%
Financial discount rate	3,10%	0,92%
Starting rate	9,80%	7,24%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2022	12/2021	12/2022	12/2021	12/2022	12/2021
Average duration	17 years	20 years	18 years	20 years	21 years	21 years
Rate of wage indexation			1,00%	1,00%	1,00%	1,00%
Financial discount rate	4,90%	1,90%	1,80%	0,50%	0,80%	0,80%
Actual return rate of hedge assets	-38,10%	9,30%	1,00%	1,00%	0,80%	0,80%

Changes in provisions during the year

In millions of euros	Actuarial value of obligations (A)	Actuarial value of invested funds (B)	Obligations less invested funds (C)	Net liabilities of the defined-benefit pension plans (A)-(B)-(C)
Opening balance of the current period	**110**	**59**		**51**
Current service cost	4			4
Net interest on the net liability (asset)	2	1		1
Expense (income) recorded in the income statement	**6**	**1**		**5**
Actuarial gains and losses on the obligation resulting from changes in demographic assumptions	1			1
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	(31)			(31)
Net return on fund asset (not included in net interest above)		(15)		15
Actuarial gains and losses on the obligation resulting from experience adjustments	19			19
Expense (income) recorded in Other components of comprehensive income	**(11)**	**(15)**		**4**
Employer's contributions to funds		1		(1)
Benefits paid	(4)	(1)		(3)
Effect of changes in exchange rates	(20)	(2)		(18)
Balance at the closing date of the period	**81**	**43**		**38**

Nature of invested funds

In millions of euros	12/2022		12/2021	
	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
Shares	11		18	
Bonds	26		35	
Others	6		6	
Total	**43**		**59**	

Note 16 : Impairments allowances to cover counterparty risk

In millions of euros	12/2021	Charge	Reversals		Other (*)	12/2022
			Used	Not Used		
Impairments on banking operations	**1 052**	**423**	**(219)**	**(109)**	**(6)**	**1 141**
Customer finance transactions	1 052	423	(219)	(109)	(6)	1 141
Ow impairment on healthy receivables	*313*	*185*	*(64)*	*(57)*	*(2)*	*375*
Ow impairment on receivables with a significant increase in credit risk since initial recognition	*170*	*94*	*(59)*	*(21)*	*1*	*185*
Ow Impairment on defaulted receivables	*569*	*144*	*(96)*	*(31)*	*(5)*	*581*
Impairment on non-banking operations	**3**	**1**	**(1)**	**(1)**		**2**
Impairment for signature commitments	3	1	(1)	(1)		2
Impairment on banking operations	**14**	**15**		**(10)**	**1**	**20**
Provisions for signature commitments	8	11		(8)		11
Provisions for litigation risks	6	4		(2)	1	9
Total provisions to cover counterparty risk	**1 069**	**439**	**(220)**	**(120)**	**(5)**	**1 163**

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

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

Note 17 : Subordinated debt - Liabilities

In millions of euros	12/2022	12/2021
Liabilities measured at amortized cost	**872**	**876**
Subordinated securities	856	856
Accrued interest on subordinated securities	16	20
Hedged liabilities measured at fair value	**14**	**17**
Participating loan stocks	14	17
Total subordinated liabilities	**886**	**893**

The liabilities measured at amortized cost represent the subordinated securities issued by RCI Banque SA in November 2019 for €850 million and the subordinated securitiesn issued by RCI Finance Maroc SA in December 2020 for €6.3 million.

The hedged liabilities measured at faire value represent the participating initial loan stocks of 500,000,000 Francs were issued in 1985 by Diac SA.

The remuneration system includes:

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

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

The loan is perpetual.

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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2022
Financial assets	**16 691**	**16 386**	**23 676**	**516**	**57 269**
Cash and balances at central banks	5 836	31	7		5 874
Derivatives	42	76	316		434
Financial assets	160	205	155	120	640
Amounts receivable from credit institutions	1 690				1 690
Loans and advances to customers	8 963	16 074	23 198	396	48 631
Financial liabilities	**21 752**	**9 059**	**17 515**	**2 219**	**50 545**
Central Banks	4	1 750	1 961		3 715
Derivatives	19	23	301	8	351
Amounts payable to credit institutions	446	594	972		2 012
Amounts payable to customers	18 907	2 573	3 293	700	25 473
Debt securities	2 361	4 119	10 988	640	18 108
Subordinated debt	15			871	886

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2021
Financial assets	**15 979**	**14 057**	**22 671**	**527**	**53 234**
Cash and balances at central banks	6 729	15	1		6 745
Derivatives	8	19	120		147
Financial assets	375	343	118	138	974
Amounts receivable from credit institutions	1 294				1 294
Loans and advances to customers	7 573	13 680	22 432	389	44 074
Financial liabilities	**19 461**	**5 864**	**19 027**	**2 321**	**46 673**
Central Banks	1		3 737		3 738
Derivatives	14	19	8	3	44
Amounts payable to credit institutions	621	567	809		1 997
Amounts payable to customers	17 152	1 525	2 653	700	22 030
Debt securities	1 654	3 752	11 820	745	17 971
Subordinated debt	19	1		873	893

Central Bank borrowings correspond to the longer-term refinancing operations (TLTRO) introduced at the end of 2014 and gradually being used by RCI Banque S.A. The Mobilize Financial Services group was also able to benefit from the TFSME program issued by the Bank of England in 2020.

Note 19 : Breakdown of future contractual cash flows by maturity

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2022
Financial liabilities	**22 166**	**9 611**	**18 622**	**2 327**	**52 726**
Central Banks		1 750	1 961		3 711
Derivatives	5	82	252	2	341
Amounts payable to credit institutions	423	523	972		1 918
Amounts payable to customers	18 873	2 561	3 293	700	25 427
Debt securities	2 664	4 003	10 923	640	18 230
Subordinated debt	15			866	881
Future interest payable	186	692	1 221	119	2 218
Financing and guarantee commitments	**4 199**	**25**		**1**	**4 225**
Total breakdown of future contractual cash flows by maturity	**26 365**	**9 636**	**18 622**	**2 328**	**56 951**

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2021
Financial liabilities	**19 733**	**6 031**	**19 211**	**2 311**	**47 286**
Central Banks			3 737		3 737
Derivatives	22	11	5		38
Amounts payable to credit institutions	603	515	809		1 927
Amounts payable to customers	17 121	1 519	2 653	700	21 993
Debt securities	1 581	3 677	11 798	745	17 801
Subordinated debt	19			865	884
Future interest payable	387	309	209	1	906
Financing and guarantee commitments	**3 329**	**44**		**2**	**3 375**
Total breakdown of future contractual cash flows by maturity	**23 062**	**6 075**	**19 211**	**2 313**	**50 661**

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

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

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

Interest for variable rate financial instruments has been estimated on the basis of the interest rate in effect at 31 December 2022.

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

In millions of euros - 31/12/2022	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**57 269**	**627**	**7 998**	**48 317**	**56 942**	**(327)**
Cash and balances at central banks	5 874		5 874		5 874	
Derivatives	434		434		434	
Financial assets	640	627		13	640	
Amounts receivable from credit institutions	1 690		1 690		1 690	
Loans and advances to customers	48 631			48 304	48 304	(327)
Financial liabilities	**50 545**	**15**	**50 414**		**50 429**	**116**
Central Banks	3 715		3 760		3 760	(45)
Derivatives	351		351		351	
Amounts payable to credit institutions	2 012		1 986		1 986	26
Amounts payable to customers	25 473		25 473		25 473	
Debt securities	18 108		18 085		18 085	23
Subordinated debt	886	15	759		774	112

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

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

Customer loans and receivables, classified in Level 3, are measured at amortized cost in the balance sheet. Fair value calculations are provided for information purposes only and should be interpreted as estimates only. In most cases, the values provided are not intended to be realized and generally could not be realized in practice. These values are not indicators used for the purpose of managing the bank's activities, for which the management model is collection of expected cash flows.

The assumptions used to measure the fair value of the instruments at amortized cost are presented below.

In millions of euros - 31/12/2021	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**53 234**	**936**	**8 186**	**43 823**	**52 945**	**(289)**
Cash and balances at central banks	6 745		6 745		6 745	
Derivatives	147		147		147	
Financial assets	974	936		38	974	
Amounts receivable from credit institutions	1 294		1 294		1 294	
Loans and advances to customers	44 074			43 785	43 785	(289)
Financial liabilities	**46 673**	**17**	**46 734**		**46 751**	**(78)**
Central Banks	3 738		3 690		3 690	48
Derivatives	44		44		44	
Amounts payable to credit institutions	1 997		2 065		2 065	(68)
Amounts payable to customers	22 030		22 030		22 030	
Debt securities	17 971		18 140		18 140	(169)
Subordinated debt	893	17	765		782	111

(*) 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 Mobilize Financial Services group 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 Mobilize Financial Services group at 31 December 2021 and at 31 December 2022 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 2021 and at 31 December 2022.

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 Mobilize Financial Services group at 31 December 2021 and 31 December 2022 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 S.A for issues on the secondary market against 3 months.

Note 21 : Netting agreements and other similar commitments

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

The Mobilize Financial Services 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 Mobilize Financial Services group currently only has a legally enforceable right to offset booked amounts in the event of default or a credit event.

Synthesis of financial assets and liabilities agreements

In millions of euros - 31/12/2022	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	**1 346**		**1 346**	**334**	**720**		**292**
Derivatives	434		434	334			100
Network financing receivables (1)	912		912		720		192
Liabilities	**351**		**351**	**334**			**17**
Derivatives	351		351	334			17

(1) The gross book value of dealer financing receivables breaks down into €538m for the Renault Retail Group, whose exposures are hedged for up to €531m by a cash warrant agreement given by the Renault manufacturer (see note 12.3), and €374m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €189m by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

In millions of euros - 31/12/2021	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	**878**		**878**	**26**	**586**		**266**
Derivatives	147		147	26			121
Network financing receivables (1)	731		731		586		145
Liabilities	**44**		**44**	**26**			**18**
Derivatives	44		44	26			18

(1) The gross book value of dealer financing receivables breaks down into €452m for the Renault Retail Group, whose exposures are hedged for up to €452m by a cash warrant agreement given by the Renault manufacturer (see note 9.3), and €279m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €134m by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

Note 22 : Commitments given

In millions of euros	12/2022	12/2021
Financing commitments	**4 209**	**3 400**
Commitments to customers	4 209	3 400
Guarantee commitments	**305**	**29**
Commitments to credit institutions	140	27
Customer guarantees	165	2
Other commitments given	**86**	**58**
Commitments given for equipment leases and real estate leases	86	58
Total commitments given (*)	**4 600**	**3 487**
(*) Of which related parties	*3*	*2*

Note 23 : Commitments received

In millions of euros	12/2022	12/2021
Financing commitments	**4 714**	**4 608**
Commitments from credit institutions	4 714	4 608
Guarantee commitments	**18 242**	**17 146**
Guarantees received from credit institutions	175	159
Guarantees from customers	6 511	6 150
Commitments to take back leased vehicles at the end of the contract	11 556	10 837
Other commitments received	**88**	**52**
Other commitments received	88	52
Total commitments received (*)	**23 044**	**21 806**
(*) Of which related parties	*5 869*	*5 726*

At 31 December 2022, Mobilize Financial Services group had €4,714 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €4,562 million of assets eligible and mobilizable with the European Central Bank (after haircuts and excluding securities and receivables already in use at year-end).

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

Guarantees and collateral

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

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

Note 24 : Exposure to currency risk

In millions of euros - 12/2022	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position GBP	802			(474)	328	1	327
Position JPY	1				1	1	
Position CHF	302			(298)	4		4
Position CZK	72			(54)	18		18
Position ARS	3				3		3
Position BRL	124				124		124
Position PLN	563			(551)	12		12
Position HUF	5				5		5
Position RON	30			(30)			
Position KRW	159				159		159
Position MAD	26				26		26
Position DKK	35			(35)			
Position TRY	4				4		4
Position SEK	93			(93)			
Position RUB	16			(17)	(1)	(1)	
Position INR	24				24		24
Position COP	23				23		23
Total exposure	**2 282**			**(1 552)**	**730**	**1**	**729**

In millions of euros - 12/2021	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position GBP	620			(274)	346		346
Position CHF	164			(160)	4		4
Position CZK	43			(26)	17		17
Position ARS	5				5		5
Position BRL	111				111		111
Position PLN	438			(425)	13	1	12
Position HUF	5				5		5
Position RON			2		2	2	
Position KRW	159				159		159
Position MAD	28				28		28
Position DKK	41			(40)	1	1	
Position TRY	5				5		5
Position SEK	92			(93)	(1)	(1)	
Position RUB	15			(15)			
Position INR	25				25		25
Position COP	26				26		26
Total exposure	**1 777**		**2**	**(1 033)**	**746**	**3**	**743**

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

Note 25 : Interest and similar income

In millions of euros	12/2022	12/2021
Interests and similar incomes	**2 965**	**2 604**
Transactions with credit institutions **	154	36
Customer finance transactions	1 950	1 811
Finance lease transactions	730	661
Accrued interest due and payable on hedging instruments	80	74
Accrued interest due and payable on Financial assets	51	22
Staggered fees paid for referral of business:	**(813)**	**(838)**
Customer Loans	(603)	(639)
Finance leases	(210)	(199)
Total interests and similar income (*)	**2 152**	**1 766**
(*) Of which related parties	*546*	*575*

(**) of which €21 million at 31 December 2022 following the termination of swaps hedging the portfolio of sight deposits and recorded at their market value (see also Note 28).

The increase of interests and similar incomes is explained by the increase of market rate in 2022 which result an increase of rate invoiced to clients in order to protect our financial margin.

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

Note 26 : Interest expenses and similar charges

In millions of euros	12/2022	12/2021
Transactions with credit institutions	(240)	(194)
Customer finance transactions	(158)	(94)
Finance lease transactions	(8)	(8)
Accrued interest due and payable on hedging instruments	(31)	(43)
Expenses on debt securities	(429)	(248)
Other interest and similar expenses	(17)	(12)
Total interest and similar expenses (*)	**(883)**	**(599)**
(*) Of which related parties	*(3)*	

The increase of interest and similar expenses mainly explained by the increase of market rate in 2022.

Note 27 : Fees and commissions

In millions of euros	12/2022	12/2021
Fees and commissions income	**679**	**639**
Commissions	20	20
Fees	17	16
Commissions from service activities	126	111
Insurance brokerage commission	61	54
Incidental insurance commissions from finance contracts	244	236
Incidental maintenance commissions from finance contracts	150	138
Other incidental commissions from finance contracts	61	64
Fees and commissions expenses	**(311)**	**(282)**
Commissions	(31)	(29)
Commissions on service activities	(98)	(83)
Incidental insurance commissions from finance contracts	(47)	(35)
Incidental maintenance commissions from finance contracts	(108)	(98)
Other incidental commissions from finance contracts	(27)	(37)
Total net commissions (*)	**368**	**357**
(*) Of which related parties	*9*	*9*

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

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

In millions of euros	12/2022	12/2021
Net gains (losses) on derivatives classified as transactions in trading securities	**75**	**4**
Net gains / losses on forex transactions	(20)	12
Net gains / losses on derivatives classified in trading securities	82	(1)
Net gains and losses on equity securities at fair value	2	(3)
Fair value hedges : change in value of hedging instruments	(372)	(128)
Fair value hedges : change in value of hedged items	383	124
Financial assets designated at fair value through profit or loss	**(6)**	**4**
Dividends from non-consolidated holdings	1	8
Gains and losses on assets at fair value through profit and loss	(7)	(4)
Total net gains or losses on financial instruments at fair value (*)	**69**	**8**
(*) Of which related parties	*1*	*8*

The majority of the net income on financial instruments recognized at fair value for €80 million comes from interest rate swaps hedging the sight deposit portfolio, whose interest rate is adjusted periodically but not indexed to a market rate. These transactions are not eligible to be documented as hedges and are therefore recorded at their market value. The increase in rates led to a capital gain on these instruments in 2022 while the increase in the cost of deposits will gradually impact cost-to-income over time. The net income of interest rate swaps recognized at market value that were terminated before their contractual maturity is recorded under “Transactions with credit institutions” in Note 25.

Note 29 : Net income or expense of other activities

In millions of euros	12/2022	12/2021
Other income from banking operations	**995**	**1 072**
Income from insurance activities	422	415
Income related to non-doubtful lease contracts	258	363
of which reversal of impairment on residual values	*49*	*106*
Income from operating lease transactions	295	267
Other income from banking operations	20	27
of which reversal of charge to reserve for banking risks	*7*	*12*
Other expenses of banking operations	**(669)**	**(776)**
Cost of insurance activities	(114)	(113)
Expenses related to non-doubtful lease contracts	(229)	(317)
of which allowance for impairment on residual values	*(67)*	*(114)*
Distribution costs not treatable as interest expense	(85)	(98)
Expenses related to operating lease transactions	(213)	(201)
Other expenses of banking operations	(28)	(47)
of which charge to reserve for banking risks	*(8)*	*(10)*
Other operating income and expenses	**13**	
Other operating income	28	19
Other operating expenses	(15)	(19)
Total net income (expense) of other activities (*)	**339**	**296**
(*) Of which related parties	*2*	*(3)*

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

Net income of own risk insurance activities

In millions of euros	**12/2022**	**12/2021**
Gross premiums issued	388	360
Net charge of provisions for technical provisions	10	26
Claims paid	(48)	(44)
Others contract charges including commissions paid	(2)	
Claims recovered from reinsurers	12	12
Others reinsurance charges and incomes	(48)	(50)
Total net income of insurance activities	**312**	**304**

Note 30 : General operating expenses and personnal costs

In millions of euros	12/2022	12/2021
Personnel costs	**(362)**	**(305)**
Employee pay	(233)	(206)
Expenses of post-retirement benefits - Defined-contribution pension plan	(22)	(19)
Expenses of post-retirement benefits - Defined-benefit pension plan	(1)	6
Other employee-related expenses	(77)	(72)
Other personnel expenses	(29)	(14)
Other administrative expenses	**(260)**	**(251)**
Taxes other than current income tax	(54)	(48)
Rental charges	(7)	(9)
Other administrative expenses	(199)	(194)
Total general operating expenses (*)	**(622)**	**(556)**
(*) Of which related parties	*11*	*(1)*

Auditors' fees are analyzed in part 5.1.4 - "Fees of auditors and their network", in the "General Information" section.

In addition, non-audit services that KPMG S.A and Mazars provided during the financial year to RCI and entities that it controls mainly concern (i) comfort letters in connection with bond issues (ii) attest engagements, and (iii) agreed procedures carried out mainly for local regulatory reasons.

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks totaling -€19 million as at December 31, 2022 compared to -€6 million as at December 31, 2021.

Average number of employees	12/2022	12/2021
Sales financing operations and services in France	1 801	1 750
Sales financing operations and services in other countries	2 286	2 099
Total RCI Banque group	**4 087**	**3 849**

Note 31 : Cost of risk by customer category

In millions of euros	12/2022	12/2021
Cost of risk on customer financing	**(210)**	**(98)**
Impairment allowances	(331)	(448)
Reversal of impairment	221	465
Losses on receivables written off	(128)	(145)
Amounts recovered on loans written off	28	30
Cost of risk on dealer financing	**21**	**37**
Impairment allowances	(25)	(28)
Reversal of impairment	54	67
Losses on receivables written off	(8)	(2)
Other cost of risk	**(6)**	**(1)**
Change in allowance for impairment of other receivables	(3)	
Other valuation adjustments	(3)	(1)
Total cost of risk	**(195)**	**(62)**

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 customer financing increased by €112 million mainly due to the update of IFRS 9 Loss Given Default (LGD) parameters for the France and Brazil entities, as well as the implementation of the Inflation and Vulnerable Customers provisions in many countries and the non-repetition of the reversals of provisions recorded in 2021 after significant allowances related to Covid-19 in 2020.

With respect to customer activity, the transactions that took place in year of 2022 were:

• A €27 million increase in the provision for non-performing outstandings;

• A €83 million increase in the provision for performing outstandings.

Regarding the Dealer network activity (dealer financing), the cost of risk breaks down into :

- €22 million on performing outstandings: mainly related to the reversal of forward-looking provisions;
- €7 million for non-performing outstandings related to the decrease in doubtful portfolios in Espagne, Poland and Italy.
- €8 million loss on receivables mainly in Spain.

Note 32 : Income tax

In millions of euros	12/2022	12/2021
Current tax expense	**(288)**	**(266)**
Current tax expense	(288)	(266)
Deferred taxes	**(42)**	**(62)**
Income (expense) of deferred taxes, gross	(42)	(62)
Total income tax	**(330)**	**(328)**

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 -€4.3 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 31 December 2022, takes into account tax income of €53 million. This tax income corresponds to the reimbursement by the Maltese State of a tax credit equivalent to 6/7 of the tax expense for 2021 (i.e. 6/7 of €62 million).

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

Breakdown of net deferred taxes by major category

In millions of euros	12/2022	12/2021
Provisions	24	54
Provisions and other charges deductible when paid	5	(6)
Tax loss carryforwards	92	108
Other assets and liabilities	(9)	61
Lease transactions	(708)	(702)
Non-current assets	7	3
Impairment allowance on deferred tax assets	(9)	(9)
Total net deferred tax asset (liability)	**(598)**	**(491)**

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

Deferred tax expense recognized in the other comprehensive income

In millions of euros	2022 change in equity			2021 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	265	(66)	199	70	(23)	47
Unrealised P&L on financial assets	(12)	4	(8)	(4)	1	(3)
Actuarial differences	15	(4)	11	10	(2)	8
Exchange differences	(1)		(1)	53		53
Other unrealised or deferred P&L				(0)		(0)

Note 33 : Events after the end of the reporting period

There were no events after the reporting period.

GROUP SUBSIDIARIES AND BRANCHES

A) List of consolidated companies and foreign branches

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2022	2021
PARENT COMPANY: RCI BANQUE S.A.						
Branches of RCI Banque:						
RCI Banque S.A. Niederlassung Deutschland	Germany					
RCI Banque Sucursal Argentina	Argentina					
RCI Banque SA Niederlassung Osterreich	Austria					
RCI Banque S.A. Sucursal en Espana	Spain					
RCI Banque Sucursal Portugal	Portugal					
RCI Banque S.A. Bancna Podruznica Ljubljana	Slovenia					
RCI Banque Succursale Italiana	Italy					
RCI Banque Branch Ireland	Ireland					
Renault Finance Nordic, Bankfilial till RCI Banque S.A. Frankrike	Sweden					
RCI Banque Spółka Akcyjna Oddział w Polsce	Poland					
FULLY CONSOLIDATED COMPANIES :						
RCI Versicherungs Service GmbH	Germany	100			100	100
Rombo Compania Financiera S.A.	Argentina	60			60	60
Courtage S.A.	Argentina	95			95	95
RCI Financial Services SA	Belgium	100			100	100
AUTOFIN	Belgium	100			100	100
Administradora De Consorcio RCI Brasil Ltda.	Brazil	99,92			99,92	99,92
Banco RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI Brasil)	Brazil	60,11			60,11	60,11
Corretora de Seguros RCI Brasil S.A.	Brazil	100			100	100
RCI Brasil Serviços e Participações Ltda	Brazil	100			100	100
RCI Colombia S.A. Compania De Financiamiento	Colombia	51			51	51
RCI Servicios Colombia S.A.	Colombia	100			100	100
RCI Usluge d.o.o*	Croatia	100			100	0
RCI Financial Services Korea Co, Ltd	South Korea	100			100	100
RCI Insurance Service Korea Co.Ltd*	South Korea	100			100	0
Overlease S.A.	Spain	100			100	100
Bipi Mobility SL **	Spain	100			100	100
Diac S.A.	France	100			100	100
Diac Location S.A.	France	-	100	Diac S.A.	100	100
Bipi Mobility France **	France	-	100	Bipi Mobility SL	100	100
RCI ZRT	Hungary	100			100	100
ES Mobility SRL	Italy	100			100	100
Bipi Mobility Italy S.R.L **	Italy		100	Bipi Mobility SL	100	100
RCI Services Ltd	Malta	100			100	100
RCI Insurance Ltd	Malta	-	100	RCI Services Ltd	100	100
RCI Life Ltd	Malta	-	100	RCI Services Ltd	100	100
RCI Finance Morocco	Morocco	100			100	100
RDFM	Morocco	-	100	RCI Finance Morocco	100	100
RCI Financial Services B.V.	Netherlands	100			100	100
Bipi Mobility Netherlands B.V.*	Netherlands	-	100	Bipi Mobility SL	100	0
RCI Leasing Polska	Poland	100			100	100
RCI COM S.A.	Portugal	100			100	100
RCI GEST SEGUROS – Mediadores de Seguros, Lda	Portugal	-	100	RCI COM S.A.	100	100

RCI Finance CZ s.r.o.	Czech Republic	100			100	100
RCI Financial Services s.r.o.	Czech Republic	50			50	50

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2022	2021
RCI Broker De Asigurare S.R.L.	Roumania	-	100	RCI Finantare Romania	100	100
RCI Finantare Romania	Roumania	100			100	100
RCI Leasing Romania IFN S.A.	Roumania	100			100	100
RCI Financial Services Ltd	United-Kingdom	-	100	RCI Bank UK Ltd	100	100
RCI Bank UK Ltd	United-Kingdom	100			100	100
Bipi Mobility UK Limited*	United-Kingdom	-	100	Bipi Mobility SL	100	0
RNL Leasing	Russia	100			100	100
RCI Finance SK S.r.O*	Slovakia	100			100	0
RCI Lizing d.o.o*	Slovenia	100			100	0
RCI Finance S.A.	Switzerland	100			100	100
SPV						
CARS Alliance Auto Loans Germany Master	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Leases Germany	Germany			RCI Banque Niederlassung Deutschland		
Cars Alliance DFP Germany 2017	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
Cars Alliance Auto Loans Germany V 2019-1	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Germany V 2021-1 **	Germany		(cf note 13)	RCI Banque Niederlassung Deutschland		
CARS Alliance Auto Loans Spain 2022 *	Spain		(cf note 13)	RCI Banque Sucursal en Espana		
FCT Cars Alliance DFP France	France		(cf note 13)	Diac S.A.		
CARS Alliance Auto Loans France FCT Master	France		(cf note 13)	Diac S.A.		
CARS Alliance Auto Leases France V 2020-1	France		(cf note 13)	Diac S.A.		
CARS Alliance Auto Leases France Master	France		(cf note 13)	Diac S.A.		
Diac RV Master **	France			Diac S.A.		
CARS Alliance Auto Loans France V 2022-1 *	France		(cf note 13)	Diac S.A.		
Cars Alliance Auto Loans Italy 2015 SRL	Italy		(cf note 13)	RCI Banque Succursale Italiana		
CARS Alliance UK Master Plc **	United-Kingdom		(cf note 13)	RCI Financial Services Ltd		
Cars Alliance Auto UK 2015 Limited	United-Kingdom			RCI Financial Services Ltd		
EQUITY ACCOUNTED COMPANIES :						
RN SF B.V.	Netherlands	50			50	50
BARN B.V.	Netherlands	-	60	RN SF B.V.	30	30
RN Bank	Russia	-	100	BARN B.V.	30	30
Orfin Finansman Anonim Sirketi	Turkey	50			50	50
Renault Crédit Car	Belgium	-	50,10	AUTOFIN	50,10	50,10
Nissan Renault Financial Services India Private Ltd	India	30			30	30
Mobility Trader Holding Gmbh *	Germany	4,97				

***** Entities added to the scope in 2022 - ** Entities added to the scope in 2021

B) Subsidiaries in which non-controlling interests are significant

In millions of euros - 31/12/2022 - before intra-group elimination	RCI Financial Services, S.r.o.	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A	RCI Colombia S.A.
Country of location	Czech republic	Argentina	Brazil	Colombia
Percentage of capital held by non controlling interests	49,90%	40,00%	39,89%	49,00%
Share in associates by non controlling interests	49,90%	40,00%	39,89%	49,00%
Nature	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures	2	1	12	8
Equity: Investments in associates and joint ventures				1
Dividends paid to non controlling interests (minority shareholders)	3		2	7
Cash, due from banks	2	19	120	36
Net outstandings customers loans and lease financings	105	100	1 618	701
Other assets	4	3	176	11
Total assets	**111**	**122**	**1 914**	**748**
Due to banks, customer deposits and debt securities issued	81	108	1 544	661
Other liabilities	4	8	116	15
Net Equity	26	6	254	72
Total liabilities	**111**	**122**	**1 914**	**748**
Net banking income	**8**	**5**	**93**	**52**
Income tax	(1)	1	(9)	(10)
Net income	5	1	29	16
Other components of comprehensive income			11	(1)
Total comprehensive income	**5**	**1**	**40**	**15**
Net cash generated by operating activities	3	5	(5)	70
Net cash generated by financing activities	(10)		(9)	(28)
Net cash generated by investing activities				(1)
Net increase/(decrease) in cash and cash equivalents	**(7)**	**5**	**(14)**	**41**

Percentages of voting rights are identical.

In December 2022, the Mobilize Financial Services Group updated the method used to calculate the value in use for these four entities. The impact of this discount compared to June 2022 is a reversal of € 10 million.

The amount of debt for puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €117m at 31 December 2022, against €102m at 31 December 2021.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €4m at 31 December 2022, against €4m at 31 December 2021.

The amount of debt for puts on minority interests for RCI Colombia S.A. is included under "Other liabilities" for €49m at 31 December 2022, against 63 at 31 December 2021.

The amount of debt for puts on minority interests for RCI Financial services S.r.o. is included under "Other liabilities" for €16m at 31 December 2022.

In millions of euros - 31/12/2021 - before intra-group elimination	RCI Financial Services, S.r.o.	Rombo Compania Financiera S.A.	Banco RCI Brasil S.A	RCI Colombia S.A.
Country of location	Czech republic	Argentina	Brazil	Colombia
Percentage of capital held by non controlling interests	50,00%	40,00%	39,89%	49,00%
Share in associates by non controlling interests	50,00%	40,00%	39,89%	49,00%
Nature	Subsidiary	Subsidiary	Subsidiary	Subsidiary
Consolidation method	Fully consolidated	Fully consolidated	Fully consolidated	Fully consolidated
Net Income: Share in net income (loss) of associates and joint ventures	3		10	8
Equity: Investments in associates and joint ventures	13	(1)	(1)	
Dividends paid to non controlling interests (minority shareholders)	2		16	2
Cash, due from banks	3	21	88	20
Net outstandings customers loans and lease financings	112	94	1 442	585
Other assets	5	2	111	7
Total assets	**120**	**117**	**1 641**	**612**
Due to banks, customer deposits and debt securities issued	90	101	1 330	523
Other liabilities	4	9	99	10
Net Equity	26	7	212	79
Total liabilities	**120**	**117**	**1 641**	**612**
Net banking income	**9**	**6**	**86**	**41**
Income tax	(1)	(1)	(16)	(7)
Net income	5	1	26	16
Other components of comprehensive income			15	(1)
Total comprehensive income	**5**	**1**	**41**	**15**
Net cash generated by operating activities	(4)	25	100	16
Net cash generated by financing activities	(9)		(68)	(6)
Net cash generated by investing activities			(1)	
Net increase/(decrease) in cash and cash equivalents	**(13)**	**25**	**31**	**10**

C) Significant associates and joint ventures

In millions of euros - 31/12/2022 - before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd	Mobility Trader Holding Gmbh
Country of location	Russia	Turkey	India	Germany
Percentage of capital held	30,00%	50,00%	30,00%	4,97%
Nature	Associate	Joint venture	Associate	Associate
Consolidation method	Equity method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	(110)	(3)	2	(16)
Investments in associates and joint ventures		15	37	14
Dividends received from associates and joint ventures				
Cash, due from banks	206	78	19	59
Net outstandings customers loans and lease financings	845	294	426	
Other assets	28	5	10	287
Total assets	**1 079**	**377**	**455**	**346**
Due to banks, customer deposits and debt securities issued	678	339	196	
Other liabilities	30	8	137	60
Net Equity	371	30	122	286
Total liabilities	**1 079**	**377**	**455**	**346**
Net banking income	**88**	**11**	**20**	**(318)**
Income tax	(8)	(1)	(3)	
Net income	31	5	9	(318)
Other components of comprehensive income				
Total comprehensive income	**31**	**5**	**9**	**(318)**
Net cash generated by operating activities	113	70	2	59
Net cash generated by financing activities				
Net cash generated by investing activities				
Net increase/(decrease) in cash and cash equivalents	**113**	**70**	**2**	**59**

RN Bank were subject to a provision for their full value at 31 December 2022.

In millions of euros - 31/12/2021 - before intra-group elimination	RN Bank	ORFIN Finansman Anonim Sirketi	Nissan Renault Financial Services India Private Ltd
Country of location	Russia	Turkey	India
Percentage of capital held	30,00%	50,00%	30,00%
Nature	Associate	Joint venture	Associate
Consolidation method	Equity method	Equity method	Equity method
Share in net income of associates and joint ventures	13	4	2
Investments in associates and joint ventures	94	16	36
Dividends received from associates and joint ventures			
Cash, due from banks	83	11	23
Net outstandings customers loans and lease financings	1 181	274	388
Other assets	33	5	9
Total assets	**1 297**	**290**	**420**
Due to banks, customer deposits and debt securities issued	959	249	151
Other liabilities	30	9	150
Net Equity	308	32	119
Total liabilities	**1 297**	**290**	**420**
Net banking income	**79**	**17**	**20**
Income tax	(10)	(2)	(3)
Net income	40	9	8
Other components of comprehensive income			
Total comprehensive income	**40**	**9**	**8**
Net cash generated by operating activities	(6)	2	(70)
Net cash generated by financing activities	(1)		
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**(7)**	**2**	**(70)**

D) Significant restrictions

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

APPENDIX 1: Information about locations and operations

In millions of euros - 31/12/2022

Geographical location	Company name	Nature of activities	Number of employees	Net banking income	Profit or loss before tax	Current tax expense	Deferred taxes	Public subsidies received
France	RCI Banque S.A.	Holding	425	244,0	196,0	(10,4)	(58,7)	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	369	216,2	97,4	(31,4)	(4,7)	
	RCI Versicherungs-Service GmbH	Services						
	Mobility Trader Holding GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	64	58,5	15,7	(5,3)	1,1	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	53	26,8	14,3	(2,6)	(0,7)	
Belgium	RCI Financial Services S.A.	Financing	31	15,4	10,0	(1,9)		
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	171	109,1	50,9	(27,1)	13,6	
	Banco RCI Brasil S.A.	Financing						
	RCI Brasil Serviços e Participações Ltda	Services						
	Corretora de Seguros RCI Brasil S.A.	Services						
Colombia	RCI Colombia S.A. Compania de Financiamiento	Financing	96	52,2	26,2	(11,7)	1,5	
	RCI Servicios Colombia S.A.	Financing						
South Korea	RCI Financial Services Korea Co. Ltd	Financing	117	53,9	29,6	(7,2)		
	RCI Insurance Service Korea Co. Ltd	Services						
Croatia	RCI Usluge d.o.o	Financing	8	1,8	1,4	(0,1)		
Spain	Rci Banque S.A. Sucursal En España	Financing	403	129,1	66,5	(26,6)	6,4	
	Overlease S.A.	Financing						
	Bipi Mobility SL	Services						
France	Diac S.A.	Financing	1 136	437,0	169,8	(64,8)	(17,4)	
	Diac Location S.A.	Financing						
	Bipi Mobility France	Services						
Hungary	RCI Zrt	Financing	4	1,6	0,9			
India	Nissan Renault Financial Services India Private Limited	Financing	131		2,6			
Ireland	RCI Banque, Branch Ireland	Financing	30	13,6	7,2	(0,9)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	230	154,1	93,6	(29,6)	(2,0)	
	ES Mobility S.R.L.	Financing						
	Bipi Mobility Italy S.R.L	Services						
Malta	RCI Services Ltd	Holding	31	177,3	169,2	(10,9)	4,5	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	46	29,9	13,6	(6,9)	0,1	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	47	19,0	9,6	(2,7)	0,3	
	Bipi Mobility Netherlands B.V	Services						
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	63	24,0	13,0	(6,0)	8,9	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	41	14,2	6,3	(1,7)	0,2	
	RCICOM SA	Financing						
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	22	10,4	11,1	(1,6)		
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	68	19,8	14,2	(2,6)	(0,1)	
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	313	176,9	112,4	(29,3)	4,7	
	RCI Bank Uk Limited	Financing						
	Bipi Mobility UK Limited	Services						
Russia	RNL Leasing	Financing	200	1,4	(114,5)	(0,2)	0,4	
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Bančna podružnica Ljubljana	Financing	39	12,1	8,0	(1,5)		
	RCI Lizing d.o.o.	Financing						
Slovakia	RCI Finance SK S.r.o.	Financing	3	7,6	7,0	(0,3)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	19	8,3	4,9	(1,1)	(0,1)	
Switzerland	RCI Finance S.A.	Financing	49	30,8	16,3	(3,6)		
Turkey	ORFIN Finansman Anonim Sirketi	Financing	55		(3,2)			
TOTAL			**4 264**	**2 045**	**1 050**	**(288)**	**(42)**	

APPENDIX 2: FINANCIAL RISKS

Refinancing and balance sheet management

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

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

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

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

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

ORGANIZATION OF MARKET RISK MANAGEMENT

The specific market risk management system is part of the groupe Mobilize Financial Services’s overall internal control system and operates to standards approved by the Board of Directors. Mobilize Financial Services’s Finance and Cash department is responsible for managing market risks (interest rate, liquidity and foreign exchange risks) and for verifying compliance with allowable limits in the consolidated groupe Mobilize Financial Services scope. The rules and ceilings are approved by the shareholder and are periodically updated. The Financial Risks Team, attached to the Risk and Banking Regulation department (Risk division), issues a daily report and monitors the group’s exposure to financial risks.

Foreign exchange instruments, interest rate instruments and currencies approved for use in managing market risks are specified on a list of authorized products validated by Mobilize Financial Services’s Chief Executive Officer.

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

INTEREST RATE RISK

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

The Mobilize Financial Services group's aim is to mitigate this risk as far as possible.

Two monitoring indicators are used internally for rate risk:

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

- the net interest income which consists of measuring a gain or loss, according to an income statement vision. It is presented as the future interest income difference over a set time-frame. The particular feature adopting an NII vision, compared with the actuarial vision of sensitivity, is the linearization of the impact of new operations.

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

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

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€25.15m
Not assigned:	€12.85m
Total sensitivity limit in €m granted by Renault to RCI Banque:	**€70.0m**

In accordance with regulatory changes (EBA/GL/2018/12), Mobilize Financial Services also measures the sensitivity of the net interest margin (NIM) and the sensitivity of the economic value of equity (EVE).

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

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

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

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

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

As of 31 December 2022, Mobilize Financial Services's overall sensitivity to interest rate risk remained below the group's limit (€70 million).

At 31 December 2022, a parallel increase in rates would have an impact on the net interest margin (NII) of the Mobilize Financial Services Group of €5.7 million in absolute currency value. The contribution by currency is as follows:

Currency	K€	Currency	K€	Currency	K€	Currency	K€
ARS	122	CZK	320	HUF	164	SEK	15
BRL	-256	EUR	-1 593	KRW	-40	RON	244
CHF	-294	DKK	-9	MAD	1 107	RUB	-288
COP	171	GBP	1 013	PLN	109		

The sum of the absolute values of the sensitivities to a parallel interest rate shock[1] in each currency amounts to €7.0 million.

[1] In accordance with the guidelines of the regulator (IRRBB Guidelines of 2018), the magnitude of interest rate shocks depends on the currency. As of 31 December 2022, the interest rate shocks applied for each currency were: +100 bps for EUR, CHF, DKK and MAD; +150 bps for SEK and GBP; +200 bps for CZK; +250 bps for HUF; +300 bps for RON, COP and PLN; +350 bps for BRL; +500 bps for ARS and RUB.

ANALYSIS OF THE STRUCTURAL RATE HIGHLIGHTS THE FOLLOWING POINTS:

SALES FINANCING SUBSIDIARIES

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

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

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

CENTRAL REFINANCING OFFICE

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

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

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

These swaps and the securities available for sale are measured at fair value by reserves in accordance with IFRS 9. These macro-hedging transactions cover variable-rate resources and / or fixed-rate resources that are variable through micro-hedging of swaps.

Monthly tests are carried out to ascertain:

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

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

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

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

LIQUIDITY RISK

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

Static liquidity

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

Liquidity reserve

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

Stress scenarios

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

FOREIGN EXCHANGE RISK

The foreign exchange position is decomposed into:

- The structural foreign exchange position, which result investment into long term of group in the equity of foreign subsidiaries
- The transactional exchange position, which ensue the cash flow named in a currency other than their domestic currency

Since 2022, Mobilize Financial Services has had a capital allocation covering its exposure to structural foreign exchange risk.

The Group benefits from an ECB exemption for the five most significant currencies (GBP, BRL, KRW, CHF and MAD) allowing it to take into account only the excess capital over the average Group CET1.

Structural foreign exchange risk is included in Mobilize Financial Services' risk appetite framework. The Group's position in all currencies is checked monthly during the Capital and Liquidity Committee and communicated quarterly to the Supervisor.

The transactional foreign exchange position is framed by limits.

CENTRAL REFINANCING

The forex position of RCI Banque S.A., the central refinancing unit, which historically is very low, stayed under €10m throughout the year.

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

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

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

SALES FINANCING SUBSIDIARIES

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

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

In 2022, the Mobilize Financial Services Group launched the financing of an importing activity that generates an additional foreign exchange risk. The manufacturer (Renault/Nissan) invoices the importer in EUR, whereas financing by Mobilize Financial Services can only be carried out in local currency.
An overnight foreign exchange risk position is created because the invoice is converted using the D + 0 exchange rate whereas the conversion will be based on the market exchange rate of D + 1.
The risk is relatively limited because the exposure is only overnight. However, the consumption of the transactional exchange limit can be significant in terms of amount.

The overall limit for Mobilize Financial Services Group granted by the Chairman of the Board of Directors on the advice of the Chairman of the Board's Risk Committee has therefore been increased to €55 million, an increase of €20 million compared to 2021.

At 31 December 2022, Mobilize Financial Services Group's consolidated transactional foreign exchange position is €12.7 million.

COUNTERPARTY RISK

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

Transactions are made with first-class banks and counterparty risk on market transactions is managed with a system of limits set by Mobilize Financial Services and then approved by Renault as part of the group-wide consolidation of counterparty risks.

Limits are set using an internal rating method based on capital adequacy, long-term ratings by credit agencies and a qualitative appraisal of the counterparty.

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

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

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

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

These limits are also monitored daily and are reported monthly to the Mobilize Financial Services finance committee.

In the case of finance entities, risk takes into account cash exposure (deposits and accrued interest) and exposure on derivatives calculated using the internal fixed-rate method presented hereafter when the system of risk mitigation by collateral exchange doesn't exist.

Fixed-rate method:

Mobilize Financial Services reviewed its market risk valuation method in March 2022.

The increasing use of the clearing house mechanism in the management of derivatives (clearing house or collateral exchange with the contreparty of bilateral base) has prompted Mobilize Financial Services to review its valuation method for market risk.

Mobilize Financial Services has made the distinction in its inventory between clearing house, bilateral and non-cleared derivatives and allocated a risk coefficient to each situation.

The coefficient applied depends on the period during which Mobilize Financial Services is exposed to potential adverse changes in the value of the derivative instruments it holds, which would require it to post additional cash or collateral.

These changes in value depend on changes in interest rates.

- For clearing house derivatives, Mobilize Financial Services is in the one-day position,
- For non-cleared derivatives with bilaterally cleared derivatives, Mobilize Financial Services is in the seven-day position,
- For non-cleared derivatives without collateral exchange, Mobilize Financial Services is in a permanent position,

Following the various yield curve analyses, Mobilize Financial Services has opted for the risk coefficient in the following table.

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

Interest rate contract			
Cleared SWAPS	Bilateral interest-rate swaps	Non-cleared interest SWAPS	
		Residual duration	Rate coefficient
0%	2%	Between 0 and 1 year	2%
		Between 1 and 2 years	5%
		Between 2 and 3 years	8%
		Between 3 and 4 years	11%
		Between 4 and 5 years	14%
		Between 5 and 6 years	17%
		Between 6 and 7 years	20%
		Between 7 and 8 years	23%
		Between 8 and 9 years	26%
		Between 9 and 10 years	29%

Exchange rate contract		
Bilateral exchange swaps	Non-cleared exchange swaps	
	Initial duration	Exchange rate coefficient
6%	Between 0 and 1 year	6%
	Between 1 and 2 years	18%
	Between 2 and 3 years	22%
	Between 3 and 4 years	26%
	Between 4 and 5 years	30%
	Between 5 and 6 years	34%
	Between 6 and 7 years	38%
	Between 7 and 8 years	42%
	Between 8 and 9 years	46%
	Between 9 and 10 years	50%

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

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

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

According to the flat-rate method, it amounted to €237 million at 31 December 2022, compared to €201 million at 31 December 2021. According to the “positive mark to market + add-on” method, the equivalent counterparty risk was €43 million at 31 December 2022, compared with €27 million at 31 December 2021. These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.