promontoriammb

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30.06.2019

# CONTENTS

# I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| IN THOUSANDS OF EUROS | Notes | 30.06.2019 | 31.12.2018 *Restated* |
|---|---|---|---|
| Cash, due from central banks | | 515 891 | 125 309 |
| Hedging derivatives | 6.1 | 25 974 | 6 618 |
| Financial assets at fair value through profit and loss | 6.2 | 12 171 | 4 963 |
| Financial assets at fair value through other comprehensive income | 6.3 | 111 735 | 79 152 |
| Financial assets at amortised cost | 6.4 | 2 347 | 2 164 |
| Loans and receivables due from banks and credit institutions at amortised cost | 6.4 | 377 386 | 439 142 |
| Loans and receivables due from customers at amortised cost | 6.4 | 5 222 241 | 4 922 845 |
| Current tax assets | 6.5 | 2 215 | 2 179 |
| Deferred tax asset | 6.5 | 59 563 | 60 664 |
| Other assets | 6.6 | 78 828 | 81 068 |
| Non-current assets held for sale | 6.7 | 774 | 8 006 |
| Investment Property | 6.8 | 9 887 | 9 696 |
| Property, plant and equipment[1] | 6.8 | 55 617 | 39 174 |
| Intangible assets | 6.8 | 11 006 | 6 705 |
| **Total assets** | | **6 485 634** | **5 787 686** |

| IN THOUSANDS OF EUROS | Notes | 30.06.2019 | 31.12.2018 *Restated* |
|---|---|---|---|
| Due to central banks | | 130 | 32 |
| Financial liabilities at fair value through profit and loss | 6.2 | 19 178 | 4 856 |
| Hedging derivatives | 6.1 | 43 714 | 10 712 |
| Debt securities issued | 6.4 | 1 977 351 | 2 215 966 |
| Due to bank and credit institutions | 6.4 | 5 537 | 113 312 |
| Due to customers | 6.4 | 3 550 430 | 2 549 043 |
| Current tax liabilities | 6.5 | 4 415 | 3 689 |
| Deferred tax liabilities | 6.5 | 2 893 | 3 377 |
| Other liabilities | 6.6 | 123 898 | 129 042 |
| Provisions | 6.9 | 75 488 | 74 008 |
| **Total liabilities** | | **5 803 033** | **5 104 035** |
| **Shareholders' equity, Group share** | | **681 641** | **682 682** |
| Share capital | | 1 000 | 1 000 |
| Consolidated reserves | | 674 845 | 559 520 |
| Unrealised or deferred capital gains and losses | | 1 898 | 4 522 |
| Net income | | 3 899 | 117 639 |
| **Non-controlling interests** | | **960** | **969** |
| **Total equity** | | **682 601** | **683 651** |
| **Total liabilities and equity** | | **6 485 634** | **5 787 686** |

** See note 3.4.*

[1] *As of 1 January 2019, on adoption of IFRS 16 -* Leases, *the Group has presented right-of-use assets under Property, plant and equipment (see notes 3.6 and 6.8).*

[1] *As of 1 January 2019, on adoption of IFRS 16 -* Leases, *the Group has presented lease liabilities under Other liabilities (see notes 3.6 and 6.8).*

## II. CONSOLIDATED INCOME STATEMENT

| IN THOUSANDS OF EUROS | Notes | 30.06.2019 | 30.06.2018** |
|---|---|---|---|
| Interest and similar income | 7.1 | 95 076 | 80 852 |
| Interest and similar expense | 7.1 | (26 447) | (19 245) |
| Fee income | 7.2 | 13 030 | 10 277 |
| Fee expense | 7.2 | (4 797) | (3 346) |
| Net gains and losses on financial instruments at fair value through profit and loss | 7.3 | (5 562) | (1 747) |
| Net gains and losses on financial instruments at fair value through other comprehensive income | 7.4 | 85 | 3 322 |
| Net gains and losses from the derecognition of financial assets at amortized cost | 7.5 | (3 619) | (202) |
| Income from other activities | 7.6 | 7 734 | 6 852 |
| Expenses from other activities | 7.6 | - | (683) |
| **Net banking income** | | **75 501** | **76 081** |
| Operating expenses | 7.7 | (71 822) | (79 825) |
| Amortisation, depreciation and impairment of tangible and intangible fixed assets | 7.8 | (2 747) | (1 083) |
| **Gross operating income** | | **931** | **(4 827)** |
| Cost of risk | 7.9 | 4 327 | 2 532 |
| **Operating income** | | **5 258** | **(2 295)** |
| Net income/expense from other assets | 7.10 | 2 336 | (4 957) |
| Bargain purchase gain | | - | - |
| **Earnings before tax** | | **7 594** | **(7 252)** |
| Income tax | 7.11 | (3 704) | 2 087 |
| **Consolidated net income** | | **3 890** | **(5 165)** |
| Net income, Group share | | 3 899 | (5 156) |
| Non-controlling interests | | (9) | (9) |

** *The accounting standards applied for the preparation of financial statements as of 30 June 30 2018 are the same at 30 June 2019 (basis of preparation). They have been prepared solely for comparative purposes and have not been reviewed by the Statutory Auditors.*

## III. STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

| IN THOUSANDS OF EUROS | Notes | 30.06.2019 | 30.06.2018 ** |
|---|---|---|---|
| **Net income** | | **3 890** | **(5 165)** |
| **Unrealised or deferred gains and losses that will be reclassified subsequently into income** | | **(2 624)** | **(3 989)** |
| Revaluation of financial assets at fair value through other comprehensive income | 6.3 | 740 | (244) |
| Revaluation of hedging derivative instruments of recyclable items | 6.1 | (4 601) | (5 839) |
| Tax related | | 1 236 | 2 094 |
| **Unrealised or deferred gains and losses that will not be reclassified subsequently into income** | | **-** | **-** |
| Actuarial gains and losses on defined benefit plans | | - | - |
| Tax related | | - | - |
| **Total unrealised or deferred gains and losses** | | **(2 624)** | **(3 989)** |
| **Net income and unrealised or deferred gains and losses** | | **1 265** | **(9 153)** |
| Group share | | 1 275 | (9 145) |
| Non-controlling interests | | (9) | (9) |

** *The accounting standards applied for the preparation of financial statements as of 30 June 2018 are the same at 30 June 2019 (basis of preparation). They have been prepared solely for comparative purposes and have not been reviewed by the Statutory Auditors.*

# IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| IN THOUSANDS OF EUROS | Share capital | Unrealised or deferred gains and losses | Consolidated reserves | Net income, Group share | Shareholders' equity, Group share | Non-controlling interests | Total consolidated equity |
|---|---|---|---|---|---|---|---|
| **Shareholders' equity at 31.12.2017** | 1 000 | 5 438 | 154 | 601 352 | 607 944 | 477 | 608 421 |
| Increase in share capital | - | - | - | - | - | - | - |
| Effect of acquisitions and disposals on non-controlling interest | - | - | - | - | - | - | - |
| Dividend distribution | - | - | (42 000) | - | (42 000) | - | **(42 000)** |
| **Sub-total of changes linked to relations with shareholders** | - | - | (42 000) | - | (42 000) | - | (42 000) |
| Unrealised or deferred gains and losses | - | (916) | | | **(916)** | - | **(916)** |
| Appropriation of 2017 net income | - | - | 601 352 | (601 352) | - | - | - |
| 2018 Net income - Restated* | - | - | - | 117 639 | **117 639** | 492 | **118 131** |
| Other changes | - | - | 15 | - | **15** | - | **15** |
| **Sub-total** | - | (916) | 601 366 | (483 712) | 116 738 | 492 | 117 230 |
| **Shareholders' equity at 31.12.2018 - Restated *** | 1 000 | 4 522 | 559 520 | 117 640 | 682 682 | 969 | 683 651 |
| Increase in share capital | - | - | - | - | - | - | - |
| Effect of acquisitions and disposals on non-controlling interest | - | - | - | - | - | - | - |
| Dividend distribution | - | - | - | - | - | - | - |
| **Sub-total of changes linked to relations with shareholders** | | | | | | | |
| Unrealised or deferred gains and losses | - | (2 624) | - | - | **(2 624)** | - | **(2 624)** |
| Appropriation of 2018 net income | - | - | 117 639 | (117 639) | - | - | - |
| 2019 net income | - | - | - | 3 899 | **3 899** | (9) | **3 890** |
| Other changes | - | - | (2 315) | - | **(2 315)** | - | **(2 315)** |
| **Sub-total** | - | (2 624) | 115 324 | (113 741) | (1 040) | (9) | (1 050) |
| **Shareholders' equity at 30.06.2019** | 1 000 | 1 898 | 674 845 | 3 899 | 681 642 | 960 | 682 601 |

* *See note 3.4.*

## V. CASH FLOW STATEMENT

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018** |
|---|---|---|
| **Net income before tax** | **7 594** | **(7 252)** |
| **Non-monetary items included in pre-tax net income and other adjustments** | **11 835** | **5 896** |
| Net depreciation/amortisation expense on property, plant and equipment and intangible assets | 3 110 | 1 397 |
| Net addition to provisions | 4 043 | 17 327 |
| Net loss/(gain) on investing activities | 65 | - |
| Net loss/(gain) on financing activities | (1 021) | 580 |
| Bargain purchase gain | - | - |
| Other changes | 5 730 | (13 407) |
| **Net increase/decrease in cash related to operating assets and liabilities** | **708 449** | **621 033** |
| Net increase in transactions with credit institutions | (674) | 966 |
| Net increase in transactions with customers' current accounts | 909 733 | 63 028 |
| Net increase in transactions with customers | (174 061) | 587 522 |
| Net decrease in non-financial assets and liabilities | (23 554) | (29 626) |
| Taxes paid | (2 995) | (858) |
| **Net cash inflow (outflow) related to operating activities (A)** | **727 969** | **619 677** |
| Net cash inflow (outflow) related to acquisition and disposal of financial assets | (32 740) | 58 517 |
| Net cash inflow (outflow) related to tangible and intangible fixed assets | (20 786) | (1 509) |
| **Net cash inflow (outflow) related to investment activities (B)** | **(53 527)** | **57 007** |
| Cash flow from/to shareholders | | |
| Other net cash flows arising from financing activities | (344 667) | (481 455) |
| **Net cash inflow (outflow) related to financing activities (C)** | **(344 667)** | **(481 455)** |
| **Net inflow (outflow) in cash and cash equivalents (A+B+C)** | **329 775** | **195 229** |
| **Cash and cash equivalents at the start of the year** | **561 387** | **400 180** |
| Cash due from central banks (assets) | 125 309 | 13 948 |
| Current accounts with banks | 439 142 | 386 233 |
| Demand deposits and current accounts with banks | (3 065) | - |
| **Cash and cash equivalents at the end of the year** | **891 162** | **595 409** |
| Cash due from central banks (assets) | 515 891 | 165 954 |
| Current accounts with banks | 377 386 | 429 455 |
| Current accounts and loans from credit institutions | (2 115) | - |
| **Net inflow (outflow) in cash and cash equivalents** | **329 775** | **195 229** |

** *The accounting standards applied for the preparation of financial statements as of 30 June 2018 are the same at 30 June 2019 (basis of preparation).They have been prepared solely for comparative purposes and have not been reviewed by the Statutory Auditors.*

# VI. NOTES TO THE FINANCIAL STATEMENTS

## 1. MAJOR EVENTS OF THE PERIOD

### 1.1. SALE OF THE MY MONEY BANK SHORT TERM PORTFOLIO - ONYX PROJECT

In accordance with its strategy, the Group intends to dispose of its residual short-term portfolio. On 25 June 2019, therefore, contracts assigning these receivables were signed with two buyers, the sellers being My Money Bank, Somafi-Soguafi and Sorefi. The gross book value of these receivables stood at 62.7 million euro for a net outstanding amount valued under IFRS at 15 million euro. The sale of receivables enables the Group to bring an almost total end to its short-term financing activities in Mainland France, under optimal pricing conditions, at the same time limiting the operational risk, since the servicing will also be transferred to the assignee no later than three months after 25 June 2019, the effective date of these transfers of receivables.

The net impact of this disposal is a gain of 0.7 million euro in the Group's net result.

### 1.2. ACCESSIONS TO GIE MY MONEY GROUP

Promontoria MMB and My Partner Bank joined the Economic Interest Group GIE My Money Group as new members on 17 April 2019 and 27 May 2019 respectively.

## 2. EVENTS OCCURING AFTER THE REPORTING PERIOD

### 2.1. SAPPHIREONE AUTO 2019-1 SECURITISATION OPERATION

The SapphireOne Auto 2019-1 operation was announced to the market on 25 June 2019, with opening of the order book on 2 July 2019. This operation attracted considerable investor interest, with twice as many subscription applications as were offered.

The securitisation operation relates to the vehicle loan (VAC) and lease (LOA) portfolios, valued at around 378 million euro, held by Somafi-Soguafi (representing 48%) and Sorefi (52%).

This securitisation enables the refinancing of the greater part of VAC and LOA financing for these two Overseas entities. Each of the two companies will thus receive around 150 million euro in net refinancing.

### 2.2. PROJECT FOR THE ACQUISITION OF SGBA AND SALE OF SOCALFI

On 14 July 2019, Promontoria MMB and Société Générale entered into exclusive negotiations for the acquisition by Promontoria MMB of the shares in the Société Générale de Banque aux Antilles (SGBA), a subsidiary wholly owned by the Société Générale group.

Active in Guadeloupe, Martinique and French Guyana, SGBA offers a wide range of banking services to individual customers (everyday banking, loans, savings and insurance), professionals (everyday banking, loans, savings, cash solutions, advice and insurance), and businesses (everyday banking, financing, investment, international operations, and insurance). SGBA currently has five branches and three business centres, enabling it to serve some 17 000 customers.

This proposed transaction is in line with the implementation of My Money Group's strategic priorities, in particular the aim of continued balance sheet growth. By investing in such in additional activities as those offered by SGBA, the group would maintain its growth and boost its offer of individual and corporate services in the Overseas territories.

On 14 July 2019 Société Générale and Promontoria MMB also launched exclusive negotiations for the acquisition by Crédical, a subsidiary of the Société Générale Calédonienne de Banques (SGCB), of the shares of Socalfi, a wholly-owned My Money Bank subsidiary in New Caledonia. The sale of Socalfi should enable My Money Bank to refocus its activity in the regions where the Group enjoys an enduring presence, and to strengthen its Overseas positioning.

The two projects have been submitted for approval to the competent supervisory authorities, and for consultation with staff representative bodies.

### 2.3. Reorganisation – "One Rooftop" project

In order to simplify the Group's organisation and to adapt its services better to the new customer expectations, it was decided to combine the teams at the Paris sites and bring them together to improve agility, expedite operations and adjust general overheads to the size of the Group. This strategy essentially focuses on:

- Bringing together the teams of My Partner Bank (formerly known as Banque Espirito Santo et de la Vénétie, BESV) at the Paris-la-Défense site during the last quarter of 2019;

- Disposal of the premises at 45, Avenue Georges Mandel in Paris, held by the entity SCI 45 Avenue Georges Mandel. A sale process has been launched and letters of intent were received during July 2019. In compliance with IFRS 3 *Business combinations*, this requires the retrospective restatement of the consolidated financial statements at 31 December 2018 (see Note 3.4).

In the course of this reorganisation and of the proposed disposal of the private bank owned by My Partner Bank, representatives of the board and the Economic and Social Committee began negotiations on 2 July 2019 in order to establish the conditions of a collective severance agreement (RCC). The signed agreement has been submitted to the regional directorate for enterprise, competition, consumption, labour and employment (DIRECCTE). Under IAS 37, no provision was recorded at 30 June 2019. At the end of July, the estimated costs of this RCC were around 4 million euro.

### 2.4. "Commercial paper" (NEU CP) and "medium term note" (NEU MTN) programmes

The "commercial paper" (NEU CP) and "medium term note" (NEU MTN) programmes launched by My Money Bank are intended to raise short and medium-term liquidity for the company. Issues under these programmes after the reporting date stand at 47 million euro, with no impact on the income statement.

### 2.5. Change of BESV corporate name

On 1 July 2019, the Banque Espirito Santo et de la Vénétie (BESV) became My Partner Bank.

# 3. ACCOUNTING STANDARDS APPLIED

## 3.1. ACCOUNTING STANDARD APPLICABLE

The Promontoria MMB Group ("the Group" or "My Money Group") has established its condensed consolidated accounts for the six-month period ending 30 June 2019 in accordance with International Financial Reporting Standards (IFRS) as endorsed in the European Union and applicable at this date.

The condensed interim consolidated financial statements were prepared and are presented in accordance with IAS (International Accounting Standard) 34 *Interim Financial Reporting*.

These notes should be read in conjunction with the audited consolidated financial statements for the year ending 31 December 2018 (last annual financial statement).

This body of standards includes the IFRSs themselves, the International Accounting Standards (IAS), and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The most significant change made to the accounting principles is the application of IFRS 16 *Leases* as from 1 January 2019.

As the Group's activities are neither seasonal nor cyclical in nature, its first half results were not affected by these factors.

The condensed interim consolidated financial statements were approved by the board of directors on 3 September 2019.

## 3.2. FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format used for the condensed interim consolidated financial statements is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the Autorité des Normes Comptables (ANC), under Recommendation No. 2017-02 of 2 June 2017. The presentation of comparative information for the 2018 reporting period has not been amended, and remains as required by the ANC Recommendation 2013-04 of 7 November 2013.

The disclosures provided in the notes to the interim consolidated financial statements relate to events and transactions that are significant to an understanding of the changes in financial position and performance of the Group during the first half of 2019. Disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Société Générale group, its activities and the circumstances in which it conducted its operations over the period.

## 3.3. REPORTING CURRENCY

The consolidated accounts are published in euro. The amounts presented in the financial statements are expressed in thousand euro, except where stated otherwise.

The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

### 3.4 Restatements of the consolidated financial statements as at 31 December 2018

On 28 December 2018, Promontoria MMB acquired My Partner Bank (formerly BESV) and its subsidiaries. Therefore, and compliant with IFRS 3 *Business combinations*, a Purchase Price Allocation (PPA) exercise was conducted.

This operation gave rise to an acquisition gain of 105.4 million euro, which has been directly accounted for in profit or loss under “Acquisition income”. The internal analyses conducted in accordance with requirements of IFRS 3, in particular by reassessing all the identifiable assets acquired and liabilities assumed, have led us to conclude that this acquisition meets the definition of a “bargain purchase”.

For the purposes of the PPA carried out at 28 December 2018, the building at 45 Avenue Georges Mandel in Paris was recognised in the Group’s accounts at a value of 19.4 million euro, based on an expert appraisal dated 30 April 2016.

Follwing the launch of the One Rooftop project (see Note 2.3), MPB received several letters of intent during July 2019. The Group has obtained new information regarding the building which, had it been known at the time of the PPA, would have changed the recognition of the business combination at the acquisition date.

Since under IFRS 3 the Group has a period of 12 months after the acquisition date in which to finalise the recognition of a given business combination, it has retrospectively restated the Group’s 2018 consolidated financial statements, published in June 2019.

The 2018 consolidated statements have been retrospectively adjusted as follows: the revision of the provisional fair value of the Mandel building at the acquisition date has increased the amount of the gain on acquisition, the acquisition of MPB having been analysed as a bargain purchase, and of the tangible fixed assets (see Note 6.8). A deferred tax liability was also recorded.

The restatements to items on the 2018 consolidated statement of financial position are as follows:

| IN THOUSANDS OF EUROS | 31.12.2018 Published | Reclass | 31.12.2018 Restated |
|---|---|---|---|
| Deferred tax asset | 65 660 | (4 995) | 60 665 |
| Property, plant and equipment | 23 574 | 15 600 | 39 174 |
| Net income (withn Shareholders' equity) | (107 527) | (10 605) | (118 132) |

Hence, the restated 2018 consolidated balance sheet total stands at 5 787 686 thousand euro, rather than the published figure of 5 777 081 thousand euro.

Equity rose by 10 605 thousand euro, reaching 682 682 thousand euro in the restated 2018 balance sheet.

The consolidated 2018 income statement, which will be presented in the 2019 consolidated financial statements, has been restated as follows:

| IN THOUSANDS OF EUROS | 31.12.2018 Published | Reclass | 31.12.2018 Restated |
|---|---|---|---|
| **Net banking income** | **144 522** | - | **144 522** |
| **Gross operating income** | **4 645** | - | **4 645** |
| **Operating income** | **(141)** | - | **(141)** |
| Net income/expense from other assets | (882) | - | (882) |
| Bargain purchase gain | 105 428 | 10 605 | 116 033 |
| **Earnings before tax** | **104 407** | **10 605** | **115 012** |
| Income tax | 3 120 | - | 3 120 |
| **Consolidated net income** | **107 527** | **10 605** | **118 132** |
| Net income, Group share | 107 035 | 10 605 | 117 640 |
| Non-controlling interests | 492 | - | 492 |

## 3.5 NEW STANDARDS

### a. STANDARDS, AMENDMENTS AND INTERPRETATIONS FOR 2019

The standards and interpretations used and described in the annual financial statements at 31 December 2018 have been supplemented by the standards, amendments and interpretations that are of mandatory application to the annual periods beginning on or after 1 January 2018.

| New standards or amendments | Theme | Date of endorsement by the European Union (EU) | Effective date within EU |
|---|---|---|---|
| IFRS 9 amendments | Early repayment clause | 22 March 2018 | 1 January 2019 |
| IFRS 16 | Operating lease contract | 31 October 2017 | 1 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 23 October 2018 | 1 January 2019 |
| IFRS 28 amendments | Long-term Interests in Associates and Joint Ventures | 8 February 2019 | 1 January 2019 |
| IAS 19 amendments | Plan Amendment, Curtailment or Settlement | 13 March 2019 | 1 January 2019 |
| IFRS 2015 – 2017 | IFRS 3, IFRS 11, IAS 12 and IAS 23 amendments | 14 March 2019 | 1 January 2019 |

The group has applied IFRS 16 *Leases* for the first time from 1 January 2019, using the modified retrospective approach. Under this method, comparative information is not restated. The impacts of adoption on the Group's consolidated financial statements and accounting policies are described in Note 3.6.

The other standards, amendements or interpreations adopted by the European Union described above did not have any impact on the Group consolidated financial statements.

### b. MAIN NEW STANDARDS THAT HAVE BEEN PUBLISHED BUT ARE NOT YET EFFECTIVE

The IASB has published a number of standards, interpretations and amendments that had not all been endorsed by the European Union at 30 June 2019. They will come into force for financial years current at 1 January 2020 at the earliest, or when adopted by the European Union. Therefore, they are not applied by the Group at 30 June 2019.

The estimated timeline for standards' application is below :

| Accounting standards | Themes | Decision date | Start date |
|---|---|---|---|
| Conceptual Framework | Amendments to references to Conceptual Framework in IFRS Standards | Not adopted | 1 January 2020 |
| IFRS 3 amendments | Definition of a Business | Not adopted | 1 January 2020 |
| IAS 1 and IAS 8 amendments | Definition of Material | Not adopted | 1 January 2020 |
| IFRS 17 | Insurance contract | Not adopted | 1 January 2021 |
| IFRS 10 and IAS 28 amendments | Long-term Interests in Associates and Joint Ventures | Not adopted | 1 January 2021 |

## 3.6 New accounting standard applied by the Group as of 1 January 2019: IFRS 16 *Leases*

**IFRS 16 *Leases*,** to be applied with retrospective effect at 1 January 2019, will replace IAS 17 *Leases* and the associated interpretations. It introduces a new definition of leases and amends the accounting treatment of these contracts in the financial statements of lessees. The new standard will have very limited impact on lessors as compared with the existing provisions of IAS 17.

As from 1 January 2019, the Group applies IFRS 16, endorsed by the European Union on 31 October 2017.

The impacts of adoption on the Group's consolidated financial statements and accounting policies are described below. Under the IRFS 16 transitional arrangements, the Group has not restated the comparative financial periods.

For lessees, IFRS 16 introduces a single accounting model for all leases based on the recognition of an (intangible) right of use, representing the lessor's right to make use of the asset during the lease period in consideration of a lease liability representing the discounted lease payments.

The right-of-use asset is depreciated on a straight-line basis and the financial liability is amortised actuarially over the lifetime of the lease.

The amortisation expense of the asset and the interest expenses on the debt will be presented separately in the income statement, in the items "Allowances for amortisation costs and impairment of tangible and intangible assets" and "Interest and similar expenses" respectively.

### Scope

Most of the contracts identified by the Group are commercial "3/6/9" leases, leasing contracts on company vehicles and equipment leases. The identification and analysis of the Group's leases has resulted in the exclusion of IT licences and equipment maintenance contracts from the application scope of the standard.

### Transition requirements

For the application of IRFS 16, the group has opted to apply the modified retrospective method offered by the standard.

IFRS 16 also offers a number of simplifying options. Lessees can choose not to apply the provisions of the new standard to leases with a term of less than one year (including renewal options), nor to contracts on low unit-value goods (less than or equal to USD 5 000). The Group has opted to make use of this practical expedient offered by the standard.

At 1 January 2019, the lease debt on existing leases is calculated by discounting the remaining lease payments. A discount rate has been applied reflecting the type of contract.

The Group has applied the applied the incremental borrowing rate to the following: real estate, IT equipment and long-term vehicle leases. For vehicles on leasing contracts, the interest rate implicit in the lease could be determined.

### IMPACTS OF THE FIRST-TIME APPLICATION OF IFRS 16

At 1 January 2019, the first-time application of IFRS 16 resulted in an increase of the balance sheet by 18 million euro related to the recognition of a lease liability and a corresponding right-of-use asset.

The lease liability is recorded under "Other liabilities" and the right-of-use assets are classified among the tangible fixed assets.

At 1 January 2019, the first-time application of IFRS 16 has no impact on the Group shareholders' equity.

On the initial recording date of the right-of-use asset and the lease liability, no deferred tax is recorded because the asset value equals to the liability value.

The impact of discounting the liability in application of IFRS 16 at 1 January 2019 is shown below:

| IN THOUSANDS OF EUROS | Commercial leases | Leasing vehicles | Long-term lease vehicles | IT equipment | **Total** |
|---|---|---|---|---|---|
| Debt before discounting at 01.01.2019 | 17 698 | 898 | 617 | 104 | **19 316** |
| Discount rate | 2,18% | 5,08% | 0,63% | 0,63% | |
| Discount impact | (1 080) | (70) | (52) | (1) | **(1 202)** |
| Debt after discounting at 01.01.2019 | 16 618 | 828 | 565 | 103 | **18 114** |

Impacts of the first-time application of IFRS 16 on the financial statements:

| IN THOUSANDS OF EUROS | 30.06.2019 | 01.01.2019 |
|---|---|---|
| **ASSETS** | | |
| Property, plant and equipment (right-of-use assets) | 16 416 | 18 114 |
| *- Commercial leases* | *15 186* | *16 618* |
| *- Leasing vehicles* | *680* | *828* |
| *- Long-term lease vehicles* | *461* | *565* |
| *- Photocopiers / Printers* | *89* | *103* |
| Deferred tax asset | 5 256 | 5 800 |
| **LIABILITIES** | | |
| Other liabilities (lease liability) | 16 508 | 18 114 |
| Deferred tax liabilities | 5 286 | 5 800 |
| **Consolidated income statement** | | |
| Interest expense | 196 | - |
| Depreciation and amortisation of right of use assets | 1 699 | - |

### 3.7 Use of judgements and estimates

The preparation of the financial statements involves making assumptions and estimates in certain areas that may or may not prove accurate in the future. These sources of uncertainty can affect the determination of income and expenses in the profit or loss account, the measurement of balance sheet assets and liabilities, and some items of information presented in the notes. These estimates using information available at the reporting date call for the use of judgment by preparers. The final future results may differ materially from these estimates in response to changes in the Group's economic and regulatory environment and may have a significant influence on the financial statements.

**The main measurements requiring the use of assumptions and estimates are the following:**

- financial instruments at fair value that are not listed on the markets using internal models;
- provisions for impairment on the basis of the credit risk of assets classified at amortised cost and fair value through equity;
- the valuation of employee liabilities and associated expenses, whose calculation uses actuarial assumptions regarding discount rates, staff turnover rates and wage developments;
- provisions recorded in liabilities other than those for credit risk and employee commitments, which mainly consist of provisions for litigation, the amounts and timings of which are uncertain and which require the use of judgment in assessing their likelihood of occurrence;
- assessment of the recoverable character of deferred tax assets, based on fiscal business plans using estimates of future taxable income;
- the effectiveness of hedging relationships, requiring assumptions regarding changes in the hedged risks and estimates of their impact on the hedging relationship.

The assumptions on which the main estimates are based are of the same nature as those described in the financial statements at 31 December 2018.

## 4. Principles for drafting the consolidated financial statements

### 4.1. Determining the consolidation perimeter

The consolidation of the Group's financial statements includes the accounts of My Money Group and of all the entities the consolidation of which has a significant impact on the consolidated accounts of the Group and that are controlled by the consolidating entity.

The scope of the entities consolidated by My Money Group is set out in Note 5.1.

### 4.2. Consolidation methods

**Under IFRS 10, control of an entity is assessed using three cumulative criteria:**

- power over the investee, i.e. the effective rights that give it the current ability to direct the activities that significantly affect the entity's returns (e.g. though voting or other rights);
- exposure, or rights, to variable returns from its involvement with the investee, such as dividends, changes in the fair value of an investment, or tax benefits;
- the ability to use its power over the investee to affect the amount of the investor's returns.

For entities governed by voting rights, the Group generally controls an entity if it directly or indirectly holds the majority of the voting rights and if there exist no other agreements that change the power of these voting rights.

The scope of the voting rights taken into consideration for assessing the nature of the control exercised by the group includes the existence and impact of substantive potential voting rights, such as those that may be exercised to take decisions on the relevant activities during the next General Meeting.

The Group exercises joint control in a joint arrangement when the decisions regarding the entity's relevant activities contractually require the unanimous consent of the partners.

Significant influence is defined as the power to participate in the financial and operating policy decisions of an investee, but not to control them. It may result from representation on the board of directors or supervisory bodies, participation in strategic decisions, the existence of material transactions between the entity and the investee, the interchange of managerial personnel, or technical dependence.

Consolidation methods are applied depending on the nature of the control exercised by My Money Group on its subsidiaries.

## 4.3. Consolidation rules

### a. Retreatments and eliminations

Before consolidation, the statutory accounts of the consolidated companies undergo specific retreatment to bring them into line with the accounting principles applied by the Group.

Balances and reciprocal revenues and charges resulting from internal operations are eliminated, including dividends and the gains and losses due to intra-group disposals.

### B. Business combinations

Business combinations have been accounted for by applying the acquisition method in accordance with IFRS 3 (Revised) for business combinations carried out after 1 January 2010.

Under this method, the identifiable assets acquired and the liabilities assumed from the acquiree are accounted for at their fair value on the measurement date.

The acquisition cost is equal, at the acquisition date, to the sum of the fair values of the assets given, the liabilities incurred and the equity instruments issued in exchange for the control of the acquiree. Any price adjustments are included in the acquisition cost at their estimated fair value at the acquisition date and remeasured at each reporting date. Subsequent adjustments are recorded in profit or loss.

Costs directly attributable to the combination operation constitute a separate transaction and are recorded in profit or loss.

Goodwill corresponds to the difference between the consideration paid and the purchaser's share of the fair value of the identifiable assets and liabilities at the acquisition date. If positive, this difference is recorded in assets by the acquirer under "Goodwill". If negative, it is accounted for immediately in profit or loss under "Gains on acquisition".

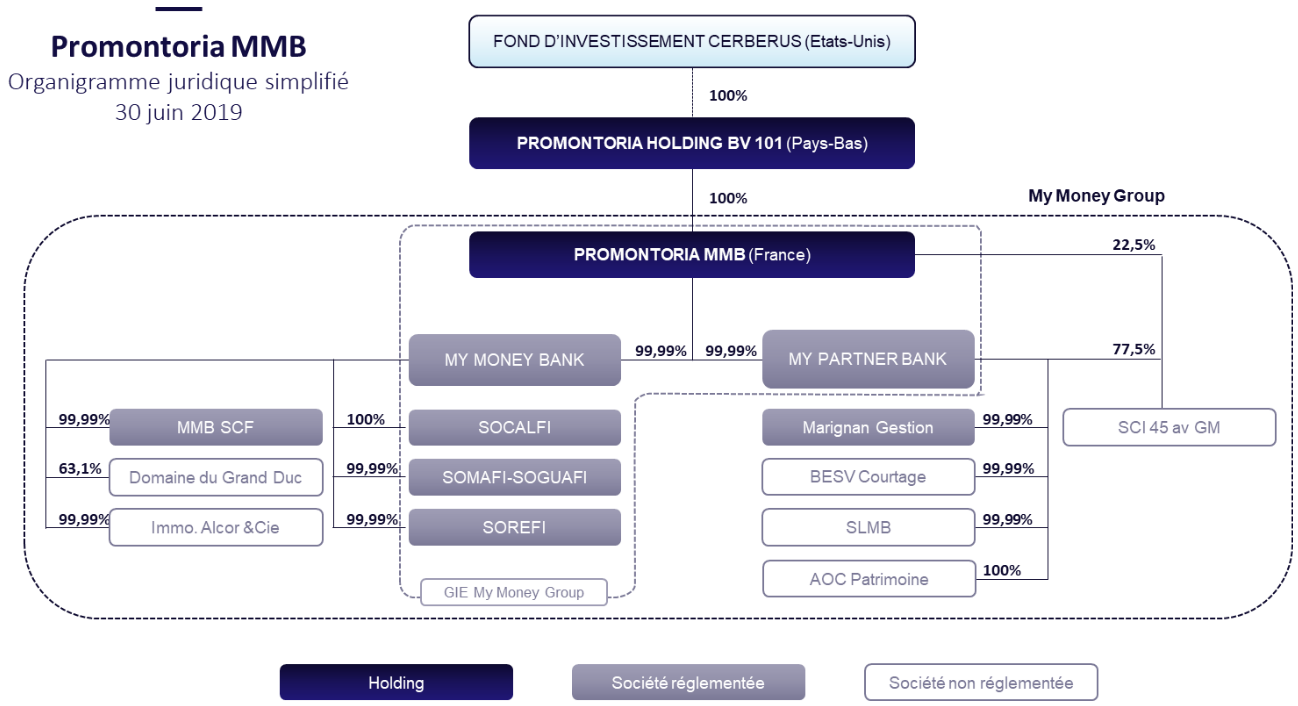
On the date that control is obtained, non-controlling interests can be measured for each combination, at the Group's discretion:

- Either on the basis of their share in the fair value of the identifiable net assets of the acquiree at the acquisition date, without accounting for goodwill for non-controlling interests (the "partial goodwill" method);
- Or at their fair value. In this case, a fraction of the goodwill will then be attributed to them (the "full goodwill" method).

# 5. Consolidation scope

## 5.1. Consolidation scope at 30 Juin 2019

My Money Group has the status of a financial holding company, with directly and indirectly held companies represented in the simplified organisation chart at 30 June 2019. No change in the consolidation scope has occured since 31 December 2018.



The consolidated entities and the methods of consolidation are presented in the table below.

| Entity | Country | Method of consolidation | % of interest |
|---|---|---|---|
| Promontoria MMB SAS | Metropolitan France | Parent | |
| My Money Bank SA | Metropolitan France | Full consolidation | 100% |
| SOREFI SA | Reunion | Full consolidation | 100% |
| SOMAFI-SOGUAFI SA | Martinique / Guadeloupe / Guyane | Full consolidation | 100% |
| SOCALFI SAS | Nouvelle-Calédonie | Full consolidation | 100% |
| Domaine du Grand-Duc | Metropolitan France | Full consolidation | 63% |
| Immobilière Alcor et Cie SNC | Metropolitan France | Full consolidation | 100% |
| MMB SCF | Metropolitan France | Full consolidation | 100% |
| My Partner Bank | Metropolitan France | Full consolidation | 100% |
| Marignan gestion | Metropolitan France | Full consolidation | 100% |
| BESV Courtage | Metropolitan France | Full consolidation | 100% |
| SLMB | Metropolitan France | Full consolidation | 100% |
| AOC Patrimoine | Metropolitan France | Full consolidation | 100% |
| SCI 45. Av GM | Metropolitan France | Full consolidation | 100% |

The consolidation perimeter of My Money Group includes an economic interest group (GIE My Money Group) and the following securitisation vehicules:

| Entity | Country | Method of consolidation |
|---|---|---|
| SapphireOne Mortgages FCT 2016-1 | Metropolitan France | Full consolidation |
| SapphireOne Mortgages FCT 2016-2 | Metropolitan France | Full consolidation |
| SapphireOne Mortgages FCT 2016-3 | Metropolitan France | Full consolidation |
| DiamondOne FCT | Metropolitan France | Full consolidation |
| FCT EmeraldOne | Metropolitan France / Reunion / Guadeloupe / Guyane | Full consolidation |
| FCT SAPPHIREONE AUTO 2017-1 | Reunion / Guadeloupe / Guyane | Full consolidation |
| FCT TopazOne | Reunion / Guadeloupe / Guyane | Full consolidation |

All the subsidiaries are regarded as controlled by My Money Group and are consolidated through full integration. This consolidation method consists of replacing the carrying value of the holding with the items of the investee's assets and liabilities in the parent company's accounts. The proportion of non-controlling interests is presented separately in the statement of financial position, in profit or loss, in the statement of gains and losses recognised directly in equity and in the statement of changes in equity of the Group in order to express the rights of minority shareholders in the equity and the result of the subsidiary.

# 6. NOTES ON THE BALANCE SHEET

## 6.1. HEDGING DERIVATIVES ASSETS AND LIABILITIES

The Group applies the provisions of IFRS 9 to its all hedging relationships, with the exception of fair value hedges of the rate risk of a portfolio of financial assets or liabilities, to which the Group applies the provisions of IAS 39 as endorsed by the European Union.

A derivative can qualify as a hedging instrument if it meets a number of criteria set out in IFRS 9. The hedging relationship will be documented at inception, indicating the hedging strategy pursued, the designation of the hedged risk and the hedged item, the hedging instrument, and the method of measuring hedge effectiveness. Effectiveness depends on three criteria reflecting the risk management objectives:

- there is an economic relationship between the hedged item and the hedging instrument (inverse correlation);
- the changes in the value of the derivative are mainly due to credit risk changes (except in the special case where changes in the underlying factor and the credit risk are both reduced);
- the hedge ratio, i.e. the relationship between the quantity of the hedged items and the quantity of the hedging instruments, corresponds to the ratio used by the Group in its operational risk management.

**These instruments will be classified on the statement of financial position under the heading "Derivative hedging instruments". IFRS 9 recognises three types of hedging relationships, depending on the objective and the risk:**

- **Fair value hedge:** hedging the risk of change in the value of an existing asset or liability, or of a firm commitment;
- **Cash flow hedge:** the aim is to hedge against exposure to variability in future cash flows for a highly probable forecast transaction or an existing operation with variable flows;
- **Hedge of net investments in foreign operations:** this type of hedge is used for the foreign exchange risk of a net investment (equity investments, long-term loans, unremitted income) in a consolidated entity abroad.

Hedging relationships within the Group concern either cash flow hedges or fair value hedges. All the hedging relationships are intended to hedge the interest rate risk.

### a. Hedging instruments

| IN THOUSANDS OF EUROS | 30.06.2019 | | | | 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Notional amount | Carrying amount | | Ineffective portion accounted for in profit or loss | Notional amount | Carrying amount | | Ineffective portion accounted for in profit or loss |
| | | Assets | Liabilities | | | Assets | Liabilities | |
| **Fair value hedge** | | | | | | | | |
| Interest rate swaps | 1 578 445 | 23 898 | (37 099) | (56) | 1 702 027 | 6 019 | (8 564) | 215 |
| **Cash flow hedge** | | | | | | | | |
| Interest rate swaps | 375 816 | 2 077 | (6 614) | - | 899 013 | 599 | (2 148) | - |

The table below breaks down the notional amounts of hedging derivatives by maturity date and their average rate by maturity bands:

| IN THOUSANDS OF EUROS | Less than 1 month | | 1 to 3 months | | 3 months to 1 year | | 1 to 5 years | | More than 5 years | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notional amount | Average price/rate | Notional amount | Average price/rate | Notional amount | Average price/rate | Notional amount | Average price/rate | Notional amount | Average price/rate | |
| Fair value hedge | 16 752 | 0,06% | 40 548 | 0,06% | 142 271 | 0,05% | 442 772 | 0,33% | 936 102 | 0,62% | 1 578 445 |
| Cash-flow hedge | - | 0,00% | 11 623 | 0,48% | 26 297 | 0,48% | 138 688 | 0,47% | 199 207 | 0,51% | 375 816 |
| Standalone | 41 965 | 0,12% | 101 475 | 0,29% | 303 158 | 0,22% | 902 125 | 0,34% | 527 986 | 0,47% | 1 876 710 |
| **Total hedging derivatives** | **58 718** | **0,10%** | **153 646** | **0,25%** | **471 726** | **0,18%** | **1 483 585** | **0,35%** | **1 663 296** | **0,56%** | **3 830 971** |

### b. Hedged Items

The table below presents detailed information on the items hedged in a fair value hedging relationship.

| *Fair Value Hedge - Interest Rate Risk* IN THOUSANDS OF EUROS | 30.06.2019 | | | | 31.12.2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying value of hedged item | | Balance sheet item including hedging instrument | Change in fair value for the calculation of the ineffective portion | Carrying value of hedged item | | Balance sheet item including hedging instrument | Change in fair value for the calculation of the ineffective portion |
| | Assets | Liabilities | | | Assets | Liabilities | | |
| - Fixed rate mortgage restructured loans | 31 666 | | Loans and receivables due from customers at amortised cost | 11 799 | 5 961 | | Loans and receivables due from customers at amortised cost | 5 961 |
| - Auto loans | 994 | | Loans and receivables due from customers at amortised cost | 465 | 553 | | Loans and receivables due from customers at amortised cost | 553 |
| - Fixed rate restructured consumer loans | 3 298 | | Loans and receivables due from customers at amortised cost | 1 080 | 1 106 | | Loans and receivables due from customers at amortised cost | 1 106 |
| - Investment securities | 36 | | Financial assets at fair value through other comprehensive income | 3 | - | | | - |
| - Covered bond | | (23 801) | Debt securities issued | | | (6 025) | Debt securities issued | |

Ineffectiveness on the Group's fair value hedging relationships stands at (56) thousand euro at 30 June 2019 and is accounted for under "Net gains or losses on financial instruments at fair value through profit or loss" (see note 7.3)

The following information provides details on the items covered in cash flow hedges.

### c. Cash flow hedge effectiveness

| *Cash flow hedge - Interest Rate Risk* IN THOUSANDS OF EUROS | 30.06.2019 | | | 31.12.2018 | | |
|---|---|---|---|---|---|---|
| | Gains / Losses recognised in OCI | Ineffective portion accounted for in profit or losses | Item in comprehensive income including ineffective portion of hedge | Gains / losses recognised in OCI | Ineffective portion accounted for in profit or losses | Item in comprehensive income including ineffective portion of hedge |
| Interest rate swaps | (5 377) | - | Net gains and losses on financial instruments at fair value through other comprehensive income | (777) | 986 | Net gains and losses on financial instruments at fair value through other comprehensive income |

Further, amounts reclassified during the 2019 reporting period from the reserve (Cash-flow hedge "CFH") in the net result as a reclassification adjustment represent a charge of 4.4 million euros. This reclassification adjustment was made to cover the impacts of the hedged item in profit or loss over the period.

### d. Equity components related to Cash Flow Hedge

| *Interest rate risk – CFH* IN THOUSANDS OF EUROS | Transaction-related hedged items | Time-related hedged items | Total 30.06.2019 |
|---|---|---|---|
| **CFH reserve at 31.12.2017** | **5 233** | **-** | **5 233** |
| Effective portion of the change in fair value recognised in equity | (6 010) | - | (6 010) |
| **CFH reserve at 31.12.2018** | **(777)** | **-** | **(777)** |
| Effective portion of the change in fair value recognised in equity | (4 601) | - | (4 601) |
| **CFH reserve at 30.06.2019** | **(5 377)** | **-** | **(5 377)** |

## 6.2. Financial assets at fair value through profit and loss

All the assets and financial liabilities held by the Group in this category correspond to trading derivatives, that is, they were not concluded and documented in the course of hedging relations. The derivatives thus concluded are exclusively swaps.

| *Trading derivatives* | 30.06.2019 | | | 31.12.2018 | | |
|---|---|---|---|---|---|---|
| IN THOUSANDS OF EURO | Notional | Assets | Liabilities | Notional | Assets | Liabilities |
| Interest rate derivatives | 1 954 261 | 1 138 445 | 815 816 | 2 601 040 | 1 262 027 | 1 339 013 |
| Valuation | (17 739) | (35 023) | 17 283 | (4 094) | (7 966) | 3 872 |

## 6.3. Financial assets measured at fair value through other comprehensive income

### a. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income, 111 735 thousand euro at 30 June 2019, include bonds and other fixed-income securities.

### B. Remeasurement of financial assets at fair value through equity with recycling

At 30 June 2019, the Group recorded 740 000 euro in equity on these assets. This result is due to a latent gain of 136 000 euro at end-June compared with a latent loss of (534 000) at 31 December 2018, representing a change of 670 000 euro.

The impairment of these assets, measured under IFRS 9, has risen by 70 000 euro to 208 000 euro at 30 June 2019.

## 6.4. Financial assets measured at amortised cost

### a. Financial assets measured at amortised cost

A financial asset must be measured at amortised cost if the following two conditions are fulfilled:

- the financial asset is held in a business model in which the objective is to hold financial assets in order to collect their contractual cash flows (“hold to collect”);
- the contractual cash flows correspond solely to payments of principal and interest (the SPPI criterion).

A study of the business model criteria has led the Group to conclude that all the portfolios presented are held in accordance with the “hold to collect” business model.

As a result, all the portfolios presented above meet the SPPI test criteria and are held in accordance with the “hold to collect” business model. In consequence, they are measured at amortised cost.

| IN THOUSANDS OF EUROS | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Bonds and other fixed-income securities | 1 081 | 1 089 |
| Shares and other variable-income securities | 939 | 753 |
| Other investment securities | 387 | 366 |
| **Investment securities before provisions** | **2 407** | **2 208** |
| **Individual provisions** | **(60)** | **(45)** |
| **Investment securities at amortised cost** | **2 347** | **2 164** |
| Current accounts | 377 639 | 439 398 |
| **Loans and receivables due from banks and credit institutions before provisions** | **377 639** | **439 398** |
| **Individual provisions** | **(253)** | **(256)** |
| **Loans and receivables due from banks and credit institutions** | **377 386** | **439 142** |
| Consolidated debts (mortgages and personal loans) | 2 778 323 | 2 658 479 |
| DOM | 1 128 541 | 1 073 578 |
| Trailing (Auto & Consumer Mainland) | 5 896 | 15 174 |
| MPB | 1 378 080 | 1 242 721 |
| **Loans and receivables at amortised cost** | **5 290 839** | **4 989 952** |
| **Collective provisions** | **(68 599)** | **(67 107)** |
| **Loans and receivables due from customers** | **5 222 241** | **4 922 845** |
| **Total financial assets at amortised cost** | **5 601 973** | **5 364 150** |

### b. Depreciations for loans and receivables at amortised cost

Credit risk is expressed through the impairment provisions recognised for expected credit losses as defined by IFRS 9.

The "Expected losses" tables below present only the loans classified at stages 1, 2 and 3 (S1, S2 and S3) and hence exclude the financial assets classified as POCI (Purchased or Originated Credit Impaired).

### Expected credit losses on « DC » (Debt Consolidation) Portfolio

| *Book value - DC Portfolio*<br>IN THOUSANDS OF EUROS | Expected losses at 12 months<br>(S1) | Expected losses at maturity<br>(S2) | Financial assets with incurred credit losses at close (expected losses at maturity)<br>(S3) |
|---|---|---|---|
| **Book value at 01.01.2019** | **2 359 730** | **84 809** | **84 383** |
| Financial assets transferred to S1 | - | (12 547) | (9 512) |
| Financial assets transferred from S1 | - | 43 767 | 22 743 |
| Financial assets transferred to S2 | (45 398) | - | (9 730) |
| Financial assets transferred from S2 | 11 946 | - | 11 438 |
| Financial assets transferred to S3 | (24 411) | (12 092) | - |
| Financial assets transferred from S3 | 9 036 | 9 463 | - |
| Financial assets created or acquired during the year | 339 876 | 463 | 196 |
| Write-offs | (606) | (60) | (802) |
| Financial assets derecognised during the year | (114 423) | (6 140) | (5 591) |
| Amortisation | (58 511) | (804) | (233) |
| Other changes | - | - | - |
| **Book value at 30.06.2019** | **2 477 239** | **106 859** | **92 892** |

| *Depreciations - DC Portfolio*<br>IN THOUSANDS OF EUROS | Expected losses at 12 months<br>(S1) | Expected losses at maturity<br>(S2) | Financial assets with incurred credit losses at close (expected losses at maturity)<br>(S3) |
|---|---|---|---|
| **Depreciations at 01.01.2019** | **2 526** | **2 329** | **5 958** |
| - Transfer to S1 | 20 | (400) | (541) |
| - Transfer to S2 | (40) | 1 458 | (542) |
| - Transfer to S3 | (26) | (492) | 2 679 |
| Amortisation | (111) | (61) | (82) |
| Financial assets derecognised during the year | (161) | (159) | (305) |
| Financial assets created or acquired during the year | 470 | 26 | 6 |
| Write-offs | (1) | (2) | (106) |
| Change of models / re-estimation of parameters) | 425 | 11 | 489 |
| Foreign exchange effects and other movements | - | - | - |
| **Depreciations at 30.06.2019** | **3 102** | **2 708** | **7 555** |

Outstandings on POCI loans in the DC portfolio stand at 101 million euro.

## Expected credit losses on « DOM » Portfolio

| *Book value - DOM Portfolio* IN THOUSANDS OF EUROS | Expected losses at 12 months (S1) | Expected losses at maturity (S2) | Financial assets with incurred credit losses at close (expected losses at maturity) (S3) |
|---|---|---|---|
| **Book value at 01.01.2019** | **973 876** | **22 992** | **36 123** |
| Financial assets transferred to S1 | - | (7 474) | (3 523) |
| Financial assets transferred from S1 | - | 20 586 | 9 741 |
| Financial assets transferred to S2 | (23 387) | - | (362) |
| Financial assets transferred from S2 | 6 234 | - | 6 091 |
| Financial assets transferred to S3 | (10 928) | (7 104) | - |
| Financial assets transferred from S3 | 2 865 | 309 | - |
| Financial assets created or acquired during the year | 251 641 | 1 701 | 212 |
| Write-offs | - | - | - |
| Financial assets derecognised during the year | (70 798) | (1 338) | (1 898) |
| Amortisation | (96 555) | (555) | (2 718) |
| Other changes | - | - | - |
| **Book value at 30.06.2019** | **1 032 947** | **29 118** | **43 664** |

| *Depreciations - DOM Portfolio* IN THOUSANDS OF EUROS | Expected losses at 12 months (S1) | Expected losses at maturity (S2) | Financial assets with incurred credit losses at close (expected losses at maturity) (S3) |
|---|---|---|---|
| **Depreciations at 01.01.2019** | **7 508** | **3 077** | **15 050** |
| - Transfer to S1 | 73 | (1 005) | (1 488) |
| - Transfer to S2 | (175) | 2 450 | (151) |
| - Transfer to S3 | (88) | (954) | 6 670 |
| Amortisation | (868) | (136) | (1 381) |
| Financial assets derecognised during the year | (553) | (179) | (816) |
| Financial assets created or acquired during the year | 1 993 | 229 | 89 |
| Write-offs | - | - | - |
| Change of models / re-estimation of parameters) | (1 260) | (254) | 1 444 |
| Foreign exchange effects and other movements | - | - | - |
| **Depreciations at 30.06.2019** | **6 630** | **3 228** | **19 416** |

Outstandings on POCI loans in the DOM portfolio stand at 16 million euro.

## Expected credit losses on "Trailing" Portfolio

| *Book value - Trailing Portfolio*<br>IN THOUSANDS OF EUROS | Expected losses at 12 months<br>(S1) | Expected losses at maturity<br>(S2) | Financial assets with incurred credit losses at close (expected losses at maturity)<br>(S3) |
|---|---|---|---|
| **Book value at 01.01.2019** | **7 378** | **430** | **659** |
| Financial assets transferred to S1 | - | - | - |
| Financial assets transferred from S1 | - | - | 0 |
| Financial assets transferred to S2 | - | - | - |
| Financial assets transferred from S2 | - | - | - |
| Financial assets transferred to S3 | - | - | - |
| Financial assets transferred from S3 | - | - | - |
| Financial assets created or acquired during the year | - | - | 1 |
| Write-offs | - | - | - |
| Financial assets derecognised during the year | (1 837) | (108) | (130) |
| Amortisation | (4 943) | (322) | (209) |
| Other changes | - | - | - |
| **Book value at 30.06.2019** | **598** | **-** | **321** |

| *Depreciations - Trailing Portfolio*<br>IN THOUSANDS OF EUROS | Expected losses at 12 months<br>(S1) | Expected losses at maturity<br>(S2) | Financial assets with incurred credit losses at close (expected losses at maturity)<br>(S3) |
|---|---|---|---|
| **Depreciations at 01.01.2019** | **16** | **30** | **105** |
| - Transfer to S1 | - | - | - |
| - Transfer to S2 | - | - | - |
| - Transfer to S3 | (0) | - | 0 |
| Amortisation | (4) | (3) | (12) |
| Financial assets derecognised during the year | (14) | (26) | (72) |
| Financial assets created or acquired during the year | - | - | 0 |
| Write-offs | - | - | - |
| Change of models / re-estimation of parameters) | 0 | - | 2 |
| Foreign exchange effects and other movements | - | - | - |
| **Depreciations at 30.06.2019** | **(2)** | **1** | **23** |

Outstandings on POCI loans in the Trailing products portfolio stand at 1 million euro.

### Expected credit losses on « MPB » Portfolio

| *Book value - MPB Portfolio* IN THOUSANDS OF EUROS | Expected losses at 12 months (S1) | Expected losses at maturity (S2) | Financial assets with incurred credit losses at close (expected losses at maturity) (S3) |
|---|---|---|---|
| **Book value at 01.01.2019** | **1 136 517** | **-** | **-** |
| Financial assets transferred to S1 | - | - | - |
| Financial assets transferred from S1 | - | 139 530 | 87 484 |
| Financial assets transferred to S2 | (141 604) | - | - |
| Financial assets transferred from S2 | - | - | - |
| Financial assets transferred to S3 | (82 338) | - | - |
| Financial assets transferred from S3 | - | - | - |
| Financial assets created or acquired during the year | 199 186 | 12 461 | 119 |
| Write-offs | - | - | - |
| Financial assets derecognised during the year | (133 760) | - | - |
| Amortisation | 47 906 | - | - |
| Other changes | - | - | - |
| **Book value at 30.06.2019** | **1 025 907** | **151 991** | **87 604** |

| *Depreciations - MPB Portfolio* IN THOUSANDS OF EUROS | Expected losses at 12 months (S1) | Expected losses at maturity (S2) | Financial assets with incurred credit losses at close (expected losses at maturity) (S3) |
|---|---|---|---|
| **Depreciations at 01.01.2019** | **30 510** | **-** | **-** |
| - Transfer to S1 | - | - | - |
| - Transfer to S2 | (3 893) | 13 055 | - |
| - Transfer to S3 | (2 242) | - | 20 509 |
| Amortisation | 1 313 | - | - |
| Financial assets derecognised during the year | (3 646) | - | - |
| Financial assets created or acquired during the year | 5 241 | 1 198 | 57 |
| Write-offs | - | - | - |
| Change of models / re-estimation of parameters) | (18 176) | (623) | (17 392) |
| Foreign exchange effects and other movements | - | - | - |
| **Depreciations at 30.06.2019** | **9 106** | **13 630** | **3 174** |

Outstandings on POCI loans in the MPB portfolio stand at 111 million euro.

## Credit risk exposures

| Credit risk exposure by payment delay (in days) – Customer loans portfolio | | | 2019 | | | 2018 |
|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | Not due or < 30 days | > 30 days | > 60 days | > 90 days | Total | Total |
| **Personnal loans - Book value** | | | | | | |
| On the basis of the expected credit losses at 12 months | 159 878 | - | - | - | 159 878 | 146 121 |
| On the basis of the expected credit losses at maturity | 3 196 | 1 701 | 1 103 | 6 048 | 12 047 | 9 611 |
| POCI (Purchased or Originated Credit Impaired) | 132 | 7 | 13 | 565 | 716 | 1 659 |
| **Mortgage loans - Book value** | | | | | | |
| On the basis of the expected credit losses at 12 months | 2 264 526 | - | - | - | 2 264 526 | 2 167 087 |
| On the basis of the expected credit losses at maturity | 108 801 | 16 198 | 11 344 | 50 181 | 186 525 | 158 177 |
| POCI (Purchased or Originated Credit Impaired) | 48 316 | 2 643 | 2 193 | 46 669 | 99 820 | 109 831 |
| **Auto - Book value** | | | | | | |
| On the basis of the expected credit losses at 12 months | 873 667 | - | - | - | 873 667 | 829 588 |
| On the basis of the expected credit losses at maturity | 17 843 | 11 772 | 5 781 | 25 658 | 61 055 | 49 778 |
| POCI (Purchased or Originated Credit Impaired) | 1 465 | 236 | 183 | 13 425 | 15 309 | 25 935 |
| **Restructured loans (exc. mortgage) - Book value** | | | | | | |
| On the basis of the expected credit losses at 12 months | 212 713 | - | - | - | 212 713 | 192 744 |
| On the basis of the expected credit losses at maturity | 5 811 | 1 114 | 1 290 | 5 012 | 13 227 | 11 023 |
| POCI (Purchased or Originated Credit Impaired) | 657 | 18 | 52 | 1 149 | 1 876 | 2 313 |
| **Real Estate - Gross carrying value** | | | | | | |
| On the basis of the expected credit losses at 12 months | 773 525 | - | - | - | 773 525 | 876 082 |
| On the basis of the expected credit losses at maturity | 131 382 | 8 962 | 18 486 | 41 567 | 200 397 | - |
| POCI (Purchased or Originated Credit Impaired) | 91 131 | - | - | 9 411 | 100 543 | 95 447 |
| **Unsecured - Gross carrying value** | | | | | | |
| On the basis of the expected credit losses at 12 months | 252 382 | - | - | - | 252 382 | 260 436 |
| On the basis of the expected credit losses at maturity | 39 100 | - | - | 98 | 39 198 | - |
| POCI (Purchased or Originated Credit Impaired) | 9 989 | - | - | 563 | 10 551 | 10 340 |

### c. Financial liabilities measured at amortised cost

| IN THOUSANDS OF EUROS | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Debt securities | 1 974 528 | 2 215 143 |
| Related payables | 2 823 | 822 |
| **Sub-total debt securities** | **1 977 351** | **2 215 966** |
| Current account and related payables | 2 049 | 3 073 |
| Term loans and advances | 0 | 106 053 |
| Other financial liabilities | 3 488 | 4 185 |
| **Sub-total due to bank and credit institutions** | **5 537** | **113 312** |
| Current account | 1 560 135 | 626 544 |
| Term loans and advances | 1 974 147 | 1 909 502 |
| Related payables | 16 149 | 12 997 |
| **Sub-total due to customers** | **3 550 430** | **2 549 043** |
| **Total financial liabilities at amortised cost** | **5 533 318** | **4 878 320** |

In 2018 the Group also concluded a 120 million euro revolving credit facility (RCF) with various banks, maturing in November 2019. At 30 June 2019, there had been no drawings on this credit facility. Repurchase agreements have also been reached with two banking partners. The Group also has access to refinancing from the ECB (MRO and LTRO).

#### Debts represented by a security

My Money Group holds securitised assets on its balance sheet, acquired either as originator in the course of its financing activities, or through the securitisation of several portfolios of customer loans (loan consolidation, motor vehicle leases and personal loans). The total for the securities issued in these securitisation operations stands at 1 287 million euro at 30 June 2019, compared with 1 740 million euro at 31 December 2018.

These debts also include the mortgage bonds issued in 2018 by the building society MMB SCF, for an amount of 475 million euro, together with those issued in the first half of 2019 totalling 100 million euro. The debts relating to these bonds stood at 2.7 million euro at 30 June 2019.

#### Amounts owed to customers

The deposits programme has been expanded since the 2017 reporting period, in particular via an expanded product range (deposits offered to customers that are SMEs) and the establishment of a partnership with a large German bank in order to increase the retail customer base. This programme, which aims to provide the bank with an additional finance source, allows for short-term asset refinancing (around two years).

At 30 June 2019, deposits stand at around 3.3 billion euro, compared with 1.5 billion euro at 31 December 2018. The rise of around 120% is mainly due to the My Partner Bank deposits programme, and also to the launch of a new My Money Bank product in Germany (Flexgeld) through a Fintech partner. Flexgeld, a flexible product with a two-week maturity, is targetted at individuals with a current account in the German partner bank. My Partner Bank’s savings products (time and demand accounts, and current accounts) are marketed both directly and through a network of specialist partners in France and abroad.

## 6.5. Current and deferred tax assets and liabilities

Deferred taxes are recognised when there are temporary differences between the carrying value and the tax basis of assets or liabilities, save for some exceptions (for example, the taxable temporary differences generated by the initial recognition of goodwill). They are calculated using the liability method at the tax rate expected to apply in the period during which the temporary difference will reverse, on the basis of tax rates and regulations which have been or will be adopted before the reporting date. Their calculation is not discounted.

The 2018 Finance Bill, published in the Official Journal on 31 December 2017, provides for a gradual reduction in tax rates in France. The downward trajectory introduced by this law scheduled a corporate tax rate of 31% for 2019, with an additional social contribution on profits (CSB) of 3.3% (after deduction of an allowance of 0.76 million euro). However, on 6 March 2019, the Government presented an amendment to this planned reduction in corporate taxation for 2019 in the law “creating a tax on digital services and amending the downward trajectory of corporate taxation”. Article 2 of this law proposed that for financial years running from 1 January 2019 to 31 December 2019, the standard corporate tax rate would be 33.33% for liable entities with a turnover of 250 million euro or above, still subject to the CSB of 3.3%. This law was definitively adopted on 11 July by the Senate.

The law will not affect the scheduled reductions in corporate taxation in the years after 2019: the standard rate of 33.33% will fall to 28% in 2020, 26.5% in 2021 and 25% in 2022 and subsequent years, always subject to the CSB of 3.3%.

Deferred tax assets or liabilities are offset when they originate in the same tax group, concern the same tax authority and where there is a legal right of set-off.

Current and deferred taxes are recognised as tax income or expenses in profit or loss, with the exception of those relating to a transaction or an event directly accounted for in equity (such as fluctuations in the value of cash flow hedge derivatives or unrealised gains or losses on instruments classified at fair value through equity), which are also allocated to equity.

The activation of deferred tax assets arising from reportable tax deficits is based on and in line, both in timing and in amount, with the forecast taxable income deriving from the business plan approved by the Board. The business plan has been tested for sensitivity by the financial planning and analysis team.

Activation assumptions remain the same as at 31 December 2018.

### CURRENT AND DEFERRED TAXES

| IN THOUSANDS OF EUROS | 30.06.2019 | 31.12.2018* |
|---|---|---|
| Current taxes | 2 215 | 2 179 |
| Deferred taxes | 59 563 | 60 664 |
| **Current and deferred tax assets** | **61 778** | **62 843** |
| Current taxes | (4 415) | (3 689) |
| Deferred taxes | (2 893) | (3 377) |
| **Current and deferred tax liabilities** | **(7 308)** | **(7 066)** |

* *Voir la note 3.4.*

### BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES BY NATURE

| IN THOUSANDS OF EUROS | 30.06.2019 | 31.12.2018* |
|---|---|---|
| Financial instruments at fair value through equity | (173) | 4 625 |
| Unrealised leasing reserves | (14 324) | (15 682) |
| Provisions for employee benefits | 15 035 | 15 017 |
| Provisions for credit risk | - | 5 571 |
| Other non-deducted provisions | 4 648 | (252) |
| Tax losses carried forward | 51 484 | 48 009 |
| **Net deferred taxes** | **56 670** | **57 288** |
| *O/w deferred tax assets* | *59 563* | *60 664* |
| *O/w deferred tax liabilities* | *(2 893)* | *(3 377)* |

### DEFERRED TAX ASSETS ON UNRECOGNISED TAX LOSSES CARRIED FORWARD

| IN THOUSANDS OF EUROS | Legal duration of the carry-forward | Forcast horizon for recovery | 30.06.2019 | 31.12.2018 |
|---|---|---|---|---|
| Promontoria MMB SAS | Indefinite | 3 ans | 15 676 | 11 282 |
| My Money Bank SA | Indefinite | 5 ans | 30 558 | 30 672 |
| Somafi-Soguafi SA | Indefinite | 3 ans | 3 369 | 3 487 |
| Sorefi SA | Indefinite | 2 ans | 1 142 | 1 820 |
| MMB SCF SA | Indefinite | - | - | 8 |
| MPB | Indefinite | 1 an | 739 | 739 |
| **Total unrecognised deferred tax assets** | | | **51 484** | **48 009** |

### CHANGES IN DEFERRED TAXES

| IN THOUSANDS OF EUROS | Changes in profit or loss | Changes in equity | Other changes | **Total** |
|---|---|---|---|---|
| **Net deferred taxes at 31.12.2018*** | | | | 57 288 |
| Financial assets at amortised cost and at fair value through OCI | (6 033) | 1 236 | - | **(4 797)** |
| Changes in unrealised leasing reserve | 1 358 | - | - | **1 358** |
| Changes in provisions for employee benefits | 18 | - | - | **18** |
| Changes in other non-deducted provisions | (671) | - | - | **(671)** |
| Changes in tax losses carried forward (before recognition) | 3 475 | - | - | **3 475** |
| **Net deferred taxes at 30.06.2019** | **(1 854)** | **1 236** | **-** | 56 670 |

* *Voir la note 3.4.*

## 6.6. Other assets and liabilities

### Assets

| IN THOUSANDS OF EUROS | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Suppliers | 991 | 808 |
| Insurance | 2 701 | 946 |
| Deposits, advances | 2 729 | 2 767 |
| Taxes | 6 624 | 4 266 |
| Values received on collection | 5 648 | 6 685 |
| Deferred expenses | 2 786 | 3 468 |
| Other adjustment accounts | 12 019 | 13 872 |
| Other assets | 13 898 | 17 945 |
| Prepaid expenses | 5 163 | 2 481 |
| Accrued income | 26 268 | 27 830 |
| **Total other assets** | **78 828** | **81 068** |

### Liabilities

| IN THOUSANDS OF EUROS | 30.06.2019 | 31.12.2018 |
|---|---|---|
| Security deposits | 155 | 189 |
| Suppliers | 9 861 | 12 009 |
| Tax and social security liabilities | 20 039 | 24 643 |
| Insurance | 2 203 | 2 377 |
| Other adjustment accounts | 31 810 | 39 993 |
| Lease liability IFRS 16 | 21 991 | 20 222 |
| Other liabilities | 16 508 | - |
| Accrued expenses | 12 968 | 20 755 |
| Deferred income | 8 362 | 8 853 |
| **Total other liabilities** | **123 898** | **129 042** |

## 6.7. Non-current assets held for sale

As of 31 December 2018, My Money Group classified two distinct asset portfolios into this category:

- a portfolio of revolving credits with a net carrying value of 5.1 million euro
- a portfolio of car loans with a net carrying value of 2.9 million euro

At 30 June 2019, as a result of the Onyx project for the assignment of receivables (see Note 1.1), residual assets stand at 0.7 million euro on the revolving credit portfolio and 0.1 million euro on the vehicle loan portfolio.

## 6.8. Tangible and intangible assets and investment properties

| IN THOUSANDS OF EUROS | Gross value 31.12.2018 Restated* | Change in consolidation scope and Other | Increase | Decrease | Gross value 31.12.2019 | Impairment and amortisation 31.12.2018 | Increase | Decrease | Net value 31.12.2019 |
|---|---|---|---|---|---|---|---|---|---|
| **Investment Properties** | **9 696** | **-** | **191** | **-** | **9 887** | **-** | **-** | **-** | **9 887** |
| **Tangible assets** | **40 667** | **18 114** | **774** | **(694)** | **58 862** | **(1 494)** | **(2 367)** | **615** | **55 616** |
| Buildings | 35 000 | | - | - | 35 000 | - | - | - | 35 000 |
| Office and IT equipment | 3 191 | - | 124 | (386) | 2 930 | (1 156) | (448) | 385 | 1 711 |
| Fittings and facilities | 2 459 | - | 28 | (308) | 2 179 | (338) | (221) | 230 | 1 850 |
| Tangible assets in course | 3 | - | 622 | - | 625 | - | - | - | 625 |
| Right-of-use asset IFRS 16 | - | 18 114 | - | - | 18 114 | - | (1 699) | - | 16 416 |
| Tangible assets in course | 14 | - | - | - | 14 | - | - | - | 14 |
| **Intangible assets** [2] | **9 073** | **-** | **4 935** | **(24)** | **13 984** | **(2 368)** | **(628)** | **18** | **11 006** |
| **Total tangible and intangible assets** | **59 436** | **18 114** | **5 900** | **(718)** | **82 733** | **(3 862)** | **(2 995)** | **633** | **76 509** |

### a. Buildings

On 28 December 2018, Promontoria MMB acquired BESV and its subsidiaries. Accordingly, and in compliance with IFRS 3 *Business combinations,* a purchase price allocation (PPA) was conducted and the building at 45 Avenue Georges Mandel in Paris was recognised in the Group's accounts at a value of 19.4 million euro, based on an expert appraisal dated 30 April 2016.

New information obtained in July 2019 has led the Group to revalue this building. The effect is a rise of 15.6 million euro in the buildings category and, in accordance with IFRS 3, a retrospective restatement of the 2018 consolidated financial statements has been carried out.

* *Voir la note 3.4.*

[2] *Mainly software*

### b. Rights of use

Since 1 January 2019, the Group has applied IFRS 16 ***Leases***, now accounting for the rights of use in leased assets under the heading *Tangible and intangible assets.*

#### Accounting principles

A lease is defined as "a contract, or part of a contract, that conveys the right to use the underlying asset for a period of time in exchange for consideration":

- the existence of an identified asset, whether implicitly or explicitly designated in the contract;
- the lessee's right to control the use of the asset (obtaining substantially all of the economic benefits from use of the asset throughout the contract, and the right to direct the use of the asset and to determine the manner in which it is used).

A contract may include one or more leases and other non-lease components. IFRS 16 states that each lease component shall be accounted for separately, allocating the total consideration paid by the customer or lessee to each component on the basis of its stand-alone price.

#### Lease term

The lease term is defined as the non-cancellable period during which the lessee has the right of use in the underlying asset, together with both:

- the options to extend the lease that are reasonably certain to be exercised, and
- the options to terminate the lease that are reasonably certain not to be exercised.

The factors to be taken into account when determining whether extension or termination options will be exercised are:

- the financial conditions of the lease in any optional period;
- the fittings and installations carried out on the leased asset during the lease;
- the costs relating to the termination of the lease;
- whether it is a specialised asset for the lessee (the importance of the asset, its location and the availability of suitable alternatives, etc.).

If the lessee and the lessor each has the right to terminate the lease without the agreement of the other party without penalty, the lease is no longer enforceable and no longer generates a lease liability.

Leases of commercial property are mostly nine-year leases, with a termination option after three and six years (3/6/9 leases). At the end of the nine-year term, unless a new contract is signed, the initial lease is tacitly extended.

A lease term may be revised, in particular under a change of circumstances that causes the lessee to reconsider the exercise of the options in the contract, or when an event occurs that contractually obliges the lessee to exercise an option not previously included, or prohibits the lessee from exercising an option previously included.

In this instance, the lease liability must be remeasured to reflect these changes, using a revised discount rate taking account of the estimated residual lease term.

#### Accounting treatment by the Group

From 1 January 2019, the Group therefore accounts for the right of use in a leased good under assets, and the lease debt as a liability.

Except for the exemptions described below:

- Leases on of assets of low value (no more than 5 000 USD);
- Short term leases, i.e. leases not exceeding a period of 12 months, renewal options included.

In the income statement, the Group has accounted for the interest expenses on the lease debt in the item *Interest and similar expenses,* with straight-line amortisation of the right of use under *Allowances for amortisation costs and impairment of tangible and intangible assets*.

Depending on the underlying asset, the Group has determined lease terms as follows:

- Commercial leases: 9 years (in compliance with the ANC position of February 2018 on “3/6/9” leases);
- Vehicles and IT equipment: the contractual term.

#### MEASUREMENT AND RECOGNITION OF THE LEASE LIABILITY AND THE RIGHT OF USE OF THE ASSET

To measure the lease liability, the Group uses fixed lease payments excluding taxes. The right-of-use asset is initially measured at cost, and subsequently reduced by any amortisation and cumulative loss of value. The amount recorded may be adjusted if the lease liability is remeasured.

On initial recognition, the lease liability is equal to the discounted value of future rents. The lease liability is subsequently measured at amortised cost using the effective interest rate method. Each lease payment is booked partly under interest expenses in the income statement, and partly in a gradual reduction in the lease debt in liabilities.

The amount of the lease liability may be subsequently adjusted in the event of changes to the lease, a re-estimate of the lease term or contractual variations due to indexation or rate changes.

The value of the right of use is equal to the initial value of the lease liability, increased as necessary by direct initial costs (registry fees, key money, etc.), advance payments and the costs of reburbishment.

#### LEASE DISCOUNT RATE

IFRS 16 provides for two types of discount rate:

- the interest rate implicit in the lease = the rate specific to the lease
- the incremental borrowing rate = reference rate + credit risk rate rate

The discount rate used by the Group depends on the type of lease. For vehicle finance leasing contracts, the interest rate implicit in the lease is calculated for each contract on the basis of its contractual term, monthly lease payment, initial price excluding taxes, and residual value, also excluding taxes.

For standard leases (commercial leases, long-term vehicle leases and equipment), the group applies the lessee’s incremental borrowing rate to discount rental payments and hence to determine the lease liability.

Since the entities refinance with the parent company, the incremental borrowing rate is determined on a Group-wide basis, taking account of borrowing conditions and the credit risk.

### c. INTANGIBLE ASSETS

At 30 June 2019, the intangible fixed assets, essentially consisting of software, include 7.3 million euro of assets in progress, relating to software and information systems developed internally

## 6.9. Provisions

| IN THOUSANDS OF EUROS | 31.12.2018 | Changes in consolidation scope | (+) Increase | (-) Reversal (utilised provisions) | (-) Reversal (surplus provisions) | Change in actuarial assumptions | 30.06.2019 |
|---|---|---|---|---|---|---|---|
| Pensions and other post-employment benefits [3] | 58 129 | - | 69 | - | - | - | 58 198 |
| Other long-term employee benefits | 1 406 | - | - | - | - | - | 1 406 |
| Restructuration | 1 583 | - | - | (943) | - | - | 640 |
| Fiscal and legal risks | 5 975 | - | 242 | (795) | (314) | - | 5 109 |
| Commitments and guarantees given | 493 | - | 934 | - | - | - | 1 427 |
| Other provisions | 6 422 | - | 2 442 | (76) | (80) | - | 8 708 |
| **Total** | **74 008** | **-** | **3 688** | **(1 814)** | **(394)** | **-** | **75 487** |

[3] *Cf. note 9 Employee benefits*

# 7. Notes on the income statement

## 7.1. Interest income and expense

| IN THOUSANDS OF EUROS | 30.06.2019 Interest income | Interest expense | Net | 30.06.2018 Interest income | Interest expense | Net |
|---|---|---|---|---|---|---|
| Loans and receivables from credit institutions | 69 | - | 69 | - | - | - |
| Loans and receivables from customers | 77 481 | (5 655) | 71 826 | 64 735 | (3 393) | 61 342 |
| Financial lease | 16 219 | (585) | 15 634 | 16 088 | (580) | 15 508 |
| Securities | 35 | - | 35 | - | - | - |
| Due to central banks | - | (203) | (203) | - | - | - |
| Due to banks | - | (887) | (887) | - | (381) | (381) |
| Due to customers | - | (8 643) | (8 643) | - | (2 482) | (2 482) |
| Debt securities issued | - | (1) | (1) | - | - | - |
| **Financials instruments at amortised cost** | **93 803** | **(15 973)** | **77 830** | **80 823** | **(6 836)** | **73 987** |
| **Financial instruments mandatorily at fair value through profit or loss** | **-** | **(2 693)** | **(2 693)** | **-** | **-** | **-** |
| **Lease agreements[4]** | **-** | **(196)** | **(196)** | **-** | **-** | **-** |
| **Financial instruments at fair value through other comprehensive income** | **149** | **(4 430)** | **(4 280)** | **663** | **(3 071)** | **(2 409)** |
| **Hedging derivatives** | **1 123** | **(3 155)** | **(2 032)** | **(634)** | **(9 337)** | **(9 971)** |
| **Total interest income and expense** | **95 076** | **(26 447)** | **68 629** | **80 852** | **(19 245)** | **61 608** |

## 7.2. Fee income and expense

| IN THOUSANDS OF EUROS | 30.06.2019 Income | Expense | Net | 30.06.2018 Income | Expense | Net |
|---|---|---|---|---|---|---|
| Transaction with customers | 5 385 | (2 590) | 2 794 | 3 944 | (741) | 3 203 |
| Securities transactions | - | (737) | (737) | - | (1 644) | (1 644) |
| Transactions with payment instruments | 1 317 | (345) | 972 | 0 | (148) | (148) |
| Financial services | 5 068 | (726) | 4 342 | 6 333 | (722) | 5 610 |
| Other | 1 260 | (398) | 862 | 0 | (91) | (91) |
| **Total fee income and expense** | **13 030** | **(4 797)** | **8 233** | **10 277** | **(3 346)** | **6 932** |

## 7.3. Net gains and losses on financial assets at fair value through profit and loss

The net loss at 30 June 2019 on financial instruments at fair value in profit or loss stands at 5.6 million euro and corresponds to the negative fair value changes of the trading derivatives held by the group.

[4] *From 1 January 2019, following the entry into force of IFRS 16* Leases, *lease operations present the interest on lease liabilities.*

### 7.4. Net gains and losses on financial assets at fair value through other comprehensive income

The net gain on this entry stands at 85 000 euro at 30 June 2019 and corresponds to a gain on disposal of investment securities; the latent gains and losses are accounted for in equity before recycling in profit or loss.

### 7.5. Net gains and losses on financial assets measured at amortised cost

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018 |
|---|---|---|
| **Gains / (Losses) on financial assets at amortised cost** | **(3 619)** | **(202)** |
| Loans and receivables due from customers | (3 619) | (202) |
| **Gains / (Losses) on financial liabilities at amortised cost** | - | - |
| **Total Gains / losses on financial assets and liabilities at amortised cost** | **(3 619)** | **(202)** |

The sale of the short term portfolio, part of the Onyx project, generated losses of 3.8 million euro at 30 June 2019 on financial assets at amortised cost.

### 7.6. Income and expense from other activities

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Uncollected VAT to be written back | - | (683) |
| **Total other expenses** | **-** | **(683)** |
| Insurance income | 4 066 | 3 486 |
| Files fees | 1 050 | 1 291 |
| Uncollected VAT to be written back | 1 785 | 53 |
| Other | 832 | 1 339 |
| **Total other income** | **7 734** | **6 852** |
| **Total income and expense from other activities** | **7 734** | **6 169** |

## 7.7. General operating expenses

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Miscellaneous operating income | 1 | (0) |
| Reversal of provisions for risks and expenses | 1 571 | 7 139 |
| Provisions for risks and expenses | (245) | (19 249) |
| Employee profit-sharing and incentive schemes | (915) | (663) |
| Payroll taxes, duties and similar levies | (2 134) | (1 891) |
| Pension expenses | (2 768) | (2 520) |
| Wages and salaries | (26 568) | (26 300) |
| Other social security expenses | (9 257) | (9 330) |
| **Total employee costs** | **(40 314)** | **(52 813)** |
| Lease | (330) | (1 870) |
| External services provided by Group entities | (4 706) | (1 409) |
| Transport and travel | (1 176) | (1 719) |
| Other external services | (20 904) | (19 716) |
| Miscellaneous operating expenses | (317) | (303) |
| **Total operational expenses** | **(27 434)** | **(25 017)** |
| Taxes | (3 912) | (1 901) |
| Other | (163) | (94) |
| **Total operating expenses** | **(71 822)** | **(79 825)** |

## 7.8. Amortisation costs and depreciations

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Depreciation and amortisation on intangible assets | (428) | (540) |
| Depreciation and amortisation on tangible assets | (621) | (543) |
| Depreciation and amortisation on right-of-use assets | (1 699) | - |
| Reversals of provisions for depreciation | - | - |
| **Total Amortisation, depreciation and impairment of tangible and intangible fixed assets** | **(2 747)** | **(1 083)** |

## 7.9. Cost of risk

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Net provisions on transactions with customers | 1 536 | (2 348) |
| Net provisions for guarantees given on assigned loans | (942) | 227 |
| Net POCI re-evaluation | 5 958 | 6 227 |
| Net losses on transactions with customers | (2 612) | (1 662) |
| Net provisions on other risks | 386 | 88 |
| **Total cost of risk** | **4 327** | **2 532** |

The sale of the short-term loan portfolio, part of the Onyx project, has generated a reversal of the impairment provisions on customer receivables of 2.9 million euro at 30 June 2019.

### 7.10. Net gains and losses on other assets

| IN THOUSANDS OF EUROS | 30.06.2019 | 30.06.2018 |
|---|---|---|
| Gains on disposals of tangible assets | 282 | - |
| Losses on disposals of tangible assets | (347) | - |
| Impairment on non-current assets held for sale | 2 401 | (4 957) |
| **Total gains or losses on other assets** | **2 336** | **(4 957)** |

Net gains during the period relate to the sale of the vehicle and revolving credit portfolios (Onyx project) which were classified as "Non-current assets held for sale" at 31 December 2019 (see note 6.7). At 30 June 2018, the net losses related to the Puma project (sale of the vehicle portfolio in Mainland France to Financo).

### 7.11. Income tax and deferred taxes

| IN THOUSANDS OF EUROS | | 30.06.2019 | 30.06.2018 |
|---|---|---|---|
| Net income - Group share | | 3 899 | (5 156) |
| Net income - Non-controlling interests | | (9) | (9) |
| Income tax expense | | (3 704) | 2 087 |
| **Earnings before tax** | | **7 594** | **(7 252)** |
| Theoretical tax rate | | 32.02% | 34.43% |
| **Theoretical tax** | | **(2 431)** | **2 497** |
| Permanent differences | | (546) | 234 |
| Differences in foreign subsidiary tax rates (Socalfi) | | (207) | (89) |
| Taxation at reduced rate (dividends) | | (475) | (527) |
| Other | | (44) | (28) |
| **Tax expense for the period** | | **(3 704)** | **2 087** |
| | *w/o tax payables* | *(1 850)* | *(1 177)* |
| | *w/o deferred tax* | *(1 854)* | *3 264* |

## 8. Offsetting financial assets and financial liabilities

### 8.1. Financial liabilities subject to offsetting, enforceable netting framework agreements and similar agreements

There has been no offsetting of financial assets and liabilities at 30 June 2019. Although the Group has concluded several enforceable netting framework agreements, they do not comply with the IAS 32 offsetting criteria.

# 9. Employee benefits

## 9.1. Significant events during the year

No significant events were recorded in the first half of 2019.

## 9.2. Changes in the actuarial debt

The discount rate has been determined with reference to the performance at 30 June 2019 of investment-grade corporate bonds carrying an AA rating or higher with a maturity comparable to the average maturity of Group commitments in each zone.

## 9.3. Description of obligations in respect of defined benefit plans

Retirement obligations include retirement and other postemployment benefits, including termination benefits.

**The main defined benefit plans are:**

- lump sums paid on retirement, which correspond to the payment of a capital sum to the employee by the entity on retirement. The lump sum paid on retirement is determined by the national collective agreement that covers the Group, and the terms of the Group's internal agreement.

- the long-service awards scheme, corresponding to a capital sum paid to employees reaching total seniority (since the beginning of their careers) of between 15 and 40 years, depending on the Group entities.

- "the healthcare expenses plan for retirees, the obligations of which take effect when the Group:
  - assumes the total or partial financing of the contribution of retirees to the healthcare expenses plan,
  - does not pay the retiree's contribution directly, but the mutual plan for current and retired employees. In this instance, there is nevertheless a benefit from mutualisation; the participation of the employer in the asset plan indirectly funds the retirees' plan"

- the CRCC plan, revised following the agreement of 3 July 2008, which is a closed retirement plan with two populations: current plan members (active employees, future pensioners) and current pensioners. Rights were frozen at the plan closure date and have been remeasured since based on the annual level of the Social Security pension (but may not be lower than an increase based on the AGIRC plan index).

## 9.4. Measurement of employee benefits at 30 June 2019

At 30 June 2019, the Group has conducted no remeasurement of employee commitments. This will be carried out for the annual reporting date.

Nevertheless, the impact of the changed discount rate has been estimated. The reduction in the discount rate, which stood at 0.75% at 30 June 2019 compared with 1.60% at 31 December 2018, would have increased the actuarial debt by around 5 million euro on an equivalent scope to that of 31 December 2018. This impact, which is not recognised in the interim consolidated accounts, would have been accounted for net of taxes in other comprehensive income.

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