RCI BANQUE SA

FINANCIAL REPORT 2021

SUMMARY

BUSINESS REPORT 2021

RCI BANK AND SERVICES

RCI BANK AND SERVICES(1) IN BRIEF

RCI Bank and Services offers financial solutions and services to facilitate access to automotive mobility for Alliance customers(2). As a partner who cares for all its customers, RCI Bank and Services builds innovative financing services to create sustainable mobility for all.

RCI Bank and Services is at the crossroads of three worlds: the automotive industry through its history, banking through its business and services through its offers. On a daily basis in 36 countries around the world, RCI Bank and Services supports the development of the Alliance brands and their dealer networks by offering a complete range of financing solutions, insurance and services to their customers.

TAILOR-MADE OFFERS FOR EACH TYPE OF CUSTOMER

For Retail customers, we offer financing solutions and services adapted to their projects and their uses in order to facilitate, support and enrich their experience, throughout their automotive mobility journey. Our solutions and services apply to both new and used vehicles.

For Professional customers, we provide a wide range of mobility solutions to free them from the constraints of managing their vehicle fleet and allow them to focus on their core business.

We provide active support to **the Alliance brand dealer networks** by financing inventories (of new vehicles, used vehicles and spare parts), as well as short-term cash flow requirements.

THE SAVINGS BANK BUSINESS, A PILLAR OF THE COMPANY'S REFINANCING

Launched in 2012, the savings business is present in seven markets: France, Germany, Austria, United Kingdom, Brazil, Spain and, since July 2021, the Netherlands.

The collection of deposits is a lever for diversifying the refinancing sources of the group's business. The amounts collected totaled €21 billion, i.e. around 47% of net assets at the end of December 2021(3).

ALMOST 4,000 EMPLOYEES ARE FULLY COMMITTED TO THE SUCCESS OF OUR "TOGETHER 4 CUSTOMERS" STRATEGIC PLAN, AS WELL AS THE RENAULT GROUP'S "RENAULUTION"

RCI Bank and Services focuses on three key priorities:

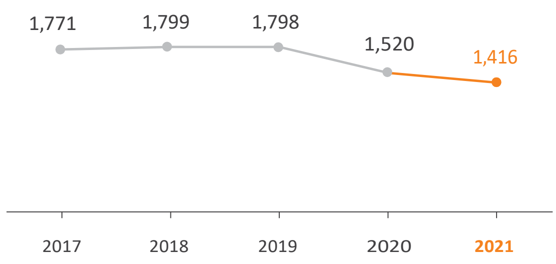
- offer a digital life for our customers by developing a fluid and omnichannel customer experience;
- facilitate access to automotive mobility by developing, in addition to traditional financing products, rental offers based on usage;
- strengthen and optimize our business model.

In order to achieve all these objectives, RCI Bank and Services is developing new working methods based on increased cross-functional working, using collective intelligence while encouraging risk-taking.

To best meet the needs of Mobilize, RCI Bank and Services has created an organization that mirrors that of the new Renault Group business unit. As part of our strategic plan, and drawing on nearly 100 years of expertise in automotive financing, our ambition is to develop used vehicle financing as well as subscription and operational leasing offers. These will enable us to eventually have used vehicles that will facilitate the development of our financing and underwriting activity in this niche segment. In this context, exposure to residual value risk will increase.

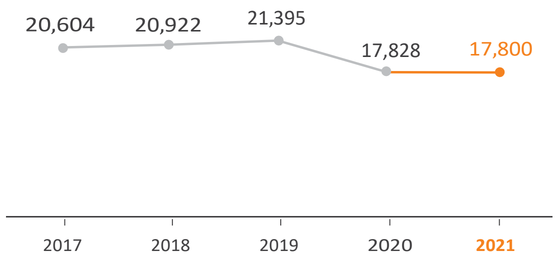
TOTAL NUMBER OF VEHICLE CONTRACTS

(in thousands)



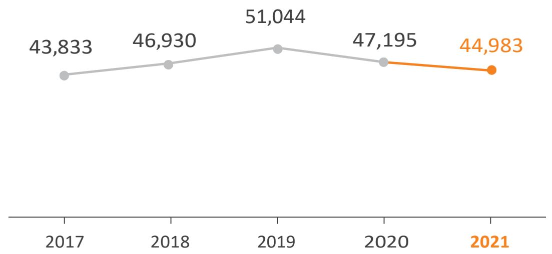
NEW FINANCINGS

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



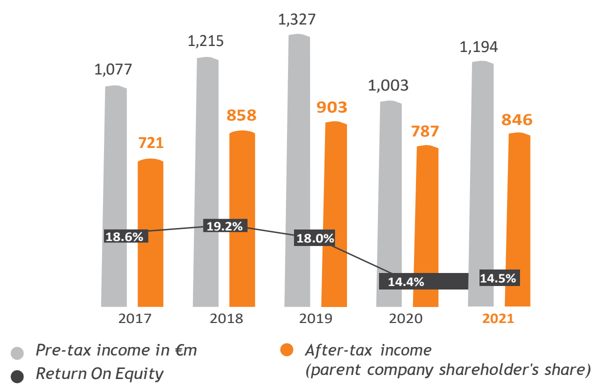
NET ASSETS AT YEAR-END(3)

(in millions of euros)



RESULTS

(in millions of euros)



(1) RCI Bank and Services has been the company's trading name since February 2016. Its corporate name, however, remains unchanged and is still RCI Banque S.A.
(2) RCI Bank and Services supports Renault Group brands (Renault, Dacia, Alpine, Renault Samsung Motors, Lada) worldwide, the Nissan Group (Nissan, Infiniti, Datsun) mainly in Europe, Brazil, Argentina, South Korea and in the form of joint ventures in Russia and India, and Mitsubishi Motors in the Netherlands.
(3) Net assets at year-end: net total outstandings + operating lease transactions net of depreciation and impairment.

BUSINESS ACTIVITY 2021

In a context still disrupted by the Covid-19 pandemic and semiconductor crisis, RCI Bank and Services' new financings was up by 0.4%(1) compared to 2020, helped by the strong performance of used vehicle financing contracts and the growth in average amounts financed for new vehicles and used vehicles.

In an automotive market that rebounded by 1.3% in the scope of operations of RCI Bank and Services' subsidiaries, the volumes of the Alliance brands stood at 2.8 million vehicles in 2021, of which 346,203 units linked to the Lada brand which was integrated in 2021. Excluding Lada, registrations were down by 5% due to the pandemic. Dacia registrations increased by 4.0% to 493,232 units and those of Nissan remained at 414,542 units. As a result of a change in Renault's "from volume to value" strategy, volumes fell by 7.2% to 1,543,350 units. The manufacturer has favored the most profitable sales channels.

The financing penetration rate for RCI Bank and Services reached 46.0%(2), up 1.8 points compared to 2019(3), before the health crisis.

RCI Bank and Services financed 1,415,841 contracts in 2021, down 6.9% compared to 2020. For its part, Used Vehicle Contracts posted growth of 4.1% compared to the previous year, with 363,711 contracts financed.

New financings (excluding cards and personal loans) amounted to €17.8 billion, down 0.2% thanks to the 7.2% increase in average amount financed. Excluding the negative foreign exchange effect of €92 million, new financings increased by 0.4%.

The average performing assets (APA)(4) related to the Retail Activity totalized €37.6 billion in 2021. Excluding the negative foreign exchange effect of -€59.1 million, it increased slightly by 0.2%, thanks to the good level of new financings in 2021 in context that was still constrained.

The average performing assets linked to the Wholesale Activity amounted to €7.1 billion, decreasing by -23.4%, as a consequence of the impacts of the semi-conductors shortage on the manufacturing of new cars and to the inventory optimization strategy in the dealer network for the Renault Group brands. Overall, the average performing assets totalize €44.8 billion, down -4.6% compared to the end of 2020.

A pillar of the group's strategy, the number of services sold over the course of 2021 represents 4.7 million insurance and service contracts progressing by 2.1%. 72% of the services sold are related to the customer or the usage of the car.

The Europe region remained the heart of RCI Bank and Services activity, with new financings (excluding credit cards and personal loans) totalizing €15.4 billion, progressing by 1.1% compared to 2020, and representing 87% of the total group new financings. Growth is concentrated in Italy and the United Kingdom.

The Americas region recorded growth in new financings, which increased by 8.6% compared to 2020, totaling €1.1 billion. Growth was concentrated in Colombia and Argentina, while Brazil remains heavily impacted by the health crisis.

The new financings of the region Africa - Middle-East - India and Pacific amounted to €0.9 billion, down 21.7% compared to 2020. The decrease is linked to the drop of almost 38% of the registrations in South Korea, while the commercial performance of RCI subsidiary remains high, with a finance penetration rate of 59.2%.

New financings from the Eurasia Region amounted to €0.4 billion, a decline of 8.3% compared to the previous year, in line with the performance of Turkey, whose new financings decreased by 31.7% to €133.4 million. At the same time, new financings from Russia increased by 13.4% to reach €239.8 million, including €42.8 million for the Lada brand.

(1) Excluding the foreign exchange effect, which was negative in the amount of €92 million.
(2) Financing penetration rate excluding companies consolidated using equity method: Russia (RN Bank), Turkey and India.
(3) The financing penetration rate was down 1.5 points compared to 2020, due to a more company-oriented mix of registrations (+3 points compared to 2020) and a desire to refocus on the most profitable financings channels.
(4) Average Performing Assets: APA correspond to the average performing outstandings in addition to the assets arising from operating lease transactions. For Retail customers, it means the average of performing assets at month-end. For Dealers, it means the average of daily performing assets.

	Financing penetration rate (%)		New vehicle contracts (thousands)		New financings excluding cards and PL (€m)		Net assets at year-end (€m)(6)		Of which customer net assets at year-end (€m)		Of which dealer net assets at year-end (€m)	
PC + LCV market(5)	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
EUROPE(7)	**48.2%**	**48.3%**	**1,078**	**1,132**	**15,420**	**15,251**	**40,832**	**42,965**	**34,551**	**34,448**	**6,281**	**8,517**
of which Germany	47.5%	47.2%	151	172	2,362	2,566	7,809	8,361	6,828	7,002	981	1,359
of which Spain	51.4%	52.7%	98	109	1,275	1,305	3,593	4,120	3,253	3,492	340	628
of which France	52.8%	54.9%	408	427	5,723	5,760	15,320	15,993	12,362	12,262	2,958	3,731
of which Italy	68.0%	67.3%	154	151	2,229	2,153	5,352	5,620	4,875	4,873	477	747
of which United Kingdom	39.9%	36.2%	113	101	1,987	1,538	4,369	4,116	3,934	3,440	435	676
of which other countries	33.2%	33.6%	155	173	1,844	1,929	4,389	4,755	3,299	3,379	1,090	1,376
AMERICAS	**35.8%**	**41.6%**	**134**	**148**	**1,101**	**1,014**	**2,227**	**2,157**	**1,855**	**1,879**	**372**	**278**
of which Argentina	21.6%	28.2%	15	18	113	77	166	123	94	75	72	48
of which Brazil	33.6%	41.1%	83	100	640	682	1,475	1,498	1,201	1,311	274	187
of which Colombia	60.3%	62.8%	37	29	349	254	586	536	560	493	26	43
AFRICA - MIDDLE-EAST - INDIA AND PACIFIC	**31.8%**	**41.8%**	**95**	**107**	**906**	**1,156**	**1,910**	**2,072**	**1,793**	**1,973**	**117**	**99**
EURASIA(7)	**14.1%**	**35.4%**	**109**	**133**	**373**	**407**	**14**	1	**14**	1	**–**	**-**
TOTAL GROUPE RCI BANQUE(8)	**37.5%**	**45.3%**	**1,416**	**1,520**	**17,800**	**17,828**	**44,983**	**47,195**	**38,213**	**38,301**	**6,770**	**8,894**

(5) Figures refer to passenger car (PC) and light commercial vehicle (LCV) markets.
(6) Net assets at end: net total outstandings + operational lease transactions net of depreciation and impairment. Figures related to commercial activity (penetration rate, new contracts processed, new financings) include companies consolidated using equity method.
(7) The change of region of Romania, formerly "EURASIA", is reflected on the RCI perimeter by integration into the "EUROPE" region.
(8) Financing penetration rate of 46.0% in 2021 compared to 47.5% in 2020, excluding companies consolidated using equity method.

CONSOLIDATED FINANCIAL HIGHLIGHTS 2021

In a context still affected by the health crisis, RCI Bank and Services posted a strong financial performance thanks to good control of its cost of risk.

RESULTS

Net banking income (NBI) amounted to €1,828 billion, down 6.5% compared to 2020 due to the decline in average earning assets. The contribution of Services activities to NBI represented 35.7%, an increase of 2.2 points compared to 2020.

Operating costs totalize €570 million, improving by €15 million compared to 2020. RCI Bank and Services is fully in line with the Renault Group's plan to reduce fixed costs. Due to the sharp drop in Dealer APAs (-23.4%), operating costs as a percentage of assets amounted to 1.27%, an increase of 3 points compared to 2020.

The cost of risk for Retail (financing for private and business customers) stands at 0.26% of APA at the end of 2021 compared to 0,89% of APA in 2020. This very good level is explained by the improvement in risk parameters and by a return to normalcy in the recovery process. These had been negatively impacted by the strict lockdowns in 2020, particularly in France, Italy, Brazil and Spain. The update of the IFRS 9 forward-looking provisioning resulted in an allocation of €3.0 million in 2021 compared to an allocation of €66.8 million in 2020.

The cost of risk for Wholesale (financing for dealerships) stands at -0.52% of APA at the end of 2021 compared to a provision of 0.18% of APA at the end of 2020. This improvement is linked both to the decrease in dealer outstandings and to the update of the IFRS 9 forward-looking provisioning, a reversal of €14.5 million in 2021 compared to an allocation of €22.7 million in 2020.

The total cost of risk therefore stands at 0.14% of APA compared to 0.75% at the end of 2020.

Pre-tax income stands at €1,194 million compared to €1,003 million at the end of 2020. This increase is mainly due to the improvement in the cost of risk. The consolidated net income – parent company shareholders' share – stood at €846 million in 2021, compared to €787 million at the end of 2020.

BALANCE SHEET

In 2021, commercial activity remained negatively impacted by the pandemic. The semiconductor shortage as well as the new optimization policy for vehicle inventories in the dealer network, led to a decrease in dealer financing outstandings. At the end of December 2021, net assets[1] reached €45 billion, compared with €47.2 billion at end-December 2020 (-4.7%).

Consolidated equity amounted to €6,222 million compared to €6,273 million at the end of December 2020 (-0.8%).

PROFITABILITY

ROE[2] increased slightly to 14.5% compared to 14.4% in December 2020. It was positively impacted by the increase in income and negatively by the increase in average net equity. This is the consequence of a late distribution to the shareholder in October whereas dividends were previously paid in June. The RoRWA[3] reached 2.48% in 2021 versus 2.21% in 2020, driven by the increase in the net income, attributable to owners of the parent (+17 bps) and by the -4% decrease of the average RWA for the same period (+10 bps).

SOLVENCY

The total capital ratio[4] came to 17.68% at the end of December 2021 (of which CET1 ratio was 14.76%), compared to 19.83% at the end of December 2020 (of which CET1 ratio was 17.34%). The changes in the CET1 ratio are mainly due to the normalization of the level of equity following the distribution of €931 million in October, the net income of €846 million being almost offset by a projected dividend of €800 million. Changes in Risk Exposure Amount - REA[5] (-€1.282 million) mainly[6] results from a decrease in on-balance sheet exposures partially offset by an increase in off-balance sheet exposures[7] and by a decrease in exposure related to CVA and Operational Risk.

Consolidated income statement *(in millions of euros)*	12/2021	12/2020	12/2019
Net Banking Income	1,828	1,955	2,096
General operating expenses*	(576)	(600)	(603)
Cost of risk	(62)	(353)	(177)
Share in net income (loss) of associates and joint ventures	19	19	21
Gains or losses on non-current assets**		(1)	(2)
Income (loss) on exposure to inflation***	(14)	(15)	(8)
Goodwill impairment	(1)	(2)	
PRE-TAX INCOME	**1,194**	**1,003**	**1,327**
CONSOLIDATED NET INCOME (shareholders of the parent company)	846	787	903

** Including: a provision for business exemptions and amortization and impairment on tangible and intangible assets.*

*** Capital losses on the disposal of subsidiaries.*

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

Consolidated balance sheet *(in millions of euros)*	12/2021	12/2020	12/2019
Total net outstandings of which	43,639	45,777	49,817
Customer loans	22,689	22,975	24,733
Finance leases	14,180	13,908	13,439
Dealer financing	6,770	8,894	11,645
Expenses related to operating lease transactions and provisions	1,344	1,418	1,227
Other assets	11,253	11,691	7,036
Own equity (including net income of the year) of which	7,115	7,163	6,569
Shareholders' equity	6,222	6,273	5,702
Subordinated debt	893	890	867
Bonds	13,811	17,560	18,825
Negotiable debt securities (NEU CP, NEU MTN)	1,063	1,172	1,948
Securitization	3,097	3,259	3,243
Customer saving accounts – Ordinary saving accounts	15,723	14,714	13,003
Term deposits (retail)	5,296	5,794	4,708
Amounts payable to credit institutions, central banks and other amounts payable to customers (including Schuldschein)	6,746	5,584	6,374
Other liabilities	3,385	3,640	3,410
TOTAL BALANCE SHEET	**56,236**	**58,886**	**58,080**

(1) Net assets at year-end: net total outstandings + operating lease transactions net of depreciation, amortization and provisions.
(2) The ROE (Return on equity) is calculated by dividing net income for the period by average net equity (excluding income for the period).
(3) Return on Risk-Weighted Assets (RoRWA) highlights the profitability or return (R) of the Risk-Weighted Assets (RWA). It is the ratio between the net income (parent company shareholder's share) and the average RWA over a given period. This indicator allows banks and financial institutions to improve the monitoring of their performance and to facilitate decision-making processes in relation to the associated risks.
(4) Ratio including the interim profits net of provisional dividends, following the regulator's approval in accordance with Article 26 § 2 of Regulation (EU) 575/2013.
(5) Risk Exposure Amount: RWEA (Credit Risk) + CVA and Operational Risk.
(6) Other factors: decrease in RWEA due to an asset quality improvement with the advanced models and a slight increase resulting from the use of new internal models following the implementation of the new definition of default.
(7) Increase in vehicle delivery times leads to an increase in financing offers awaiting disbursement which are recognized off-balance sheet

FINANCIAL POLICY

The decline in the coronavirus pandemic in Europe and the United States enabled governments to restore economic activity to levels close to normal in 2021. Fueled by soaring energy prices and tensions in the supply chain, inflation was a major focus for investors in the second half of the year.

Inflation figures reached their highest level in ten years in the Eurozone (+4.9% on an annualized basis in November, following increases of 1.8% and 2.8% in the second and third quarters respectively), leading to a rise in long-term interest rates. Global economic growth is slowing due in particular to persistent supply chain bottlenecks. The slowdown in growth also reflects a normalization from the post-COVID-19 rebound, with base effects from reopenings fading and a reduction in support measures."

In the United States, the economic recovery slowed down in the second half (annualized growth in the third quarter of 2.3% compared to 6.7% in the second quarter of 2021) due to supply chain constraints and the sharp rise in infections from the delta variant. COVID-19 cases increased at the beginning of the third quarter, leading to a drop in consumer confidence and a decrease in spending, especially in vulnerable sectors.

At its meeting on 15 December, the US Federal Reserve formalized the change in its monetary policy and showed its commitment to reduce the increase in prices, recognizing that the current inflation phenomenon (5.3% annualized in the third quarter), following increases of 1.9% and 4.8% respectively in the first and second quarters) can no longer be considered as transitory. Thus, from January onwards, the rate of reduction of the monetary easing policy (“tapering”) will be doubled and purchases will be reduced by $30 billion, with a target date of March for the final end of the economic support program. It has maintained its Fed Funds rate target at 0-0.25%, but is now planning three rate hikes of 25 bps each in 2022.

The European Central Bank has maintained its broadly accommodative policy, estimating that the inflation peak is temporary and that it will return to around 2% in the next two years. The ECB has left its main key rate unchanged at 0%, and does not expect any increase in the short term. It announced a further reduction in its bond purchases, while promising to maintain significant support for the economy in 2022. Purchases of securities under the Pandemic Emergency Purchase Programme (PEPP) launched in March 2020 will continue to decline in the coming months and will come to a complete halt at the end of March 2022. Purchases under the APP (Asset Purchase Programme) will double during the second quarter to €40 billion per month, before falling to €30 billion in the third quarter and €20 billion in the fourth quarter.

Unexpectedly, the Bank of England (BoE) raised its key rate by 15 bps to 0.25% at its monetary policy meeting in December. However, its asset purchase program remains unchanged at £895 billion.

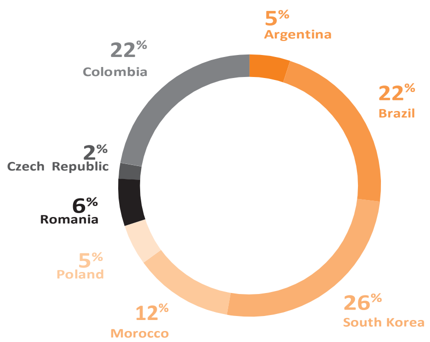
In this context of high inflation, bond yields have risen since the beginning of the year. At the end of December, the German ten-year sovereign bond yield rose by 39 bps over the year to -0.19%.

Driven by excellent corporate financial results and expectations of a resurgence in inflation, the major stock market indices saw strong increases in 2021, as evidenced by the 21% increase in the Euro Stoxx 50. Credit spreads have been stable around levels close to the lows observed in 2019 and early 2020. In a context of low volatility and abundant liquidity, the IBOXX Corporate index stood at 61 bps at the end of December 2021 compared to 74 bps at the end of 2020 and 70 bps at the end of 2019.

In the absence of growth in the commercial portfolio, funding needs remained modest and the group took a number of initiatives to reduce its liquidity reserve, which had reached an all-time high at end-2020. In this context, RCI Banque did not issue on the bond market and sought to slow the growth in customer deposits, which nevertheless grew by €0.5 billion since December to reach €21.0 billion (representing a growth of +2.6% compared with +15% in 2020). To diversify its funding sources. The group rolled out in July its savings business in the Netherlands through the fintech Raisin.

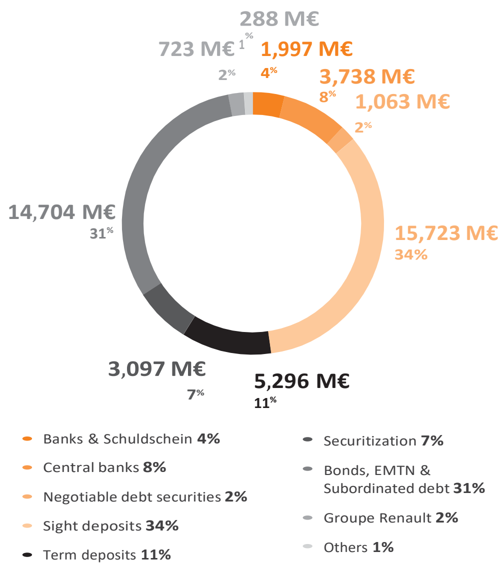
GEOGRAPHICAL BREAKDOWN OF NEW RESOURCES WITH A MATURITY OF ONE YEAR OR MORE (EXCLUDING DEPOSITS AND TLTRO)

(as at 31/12/2021)



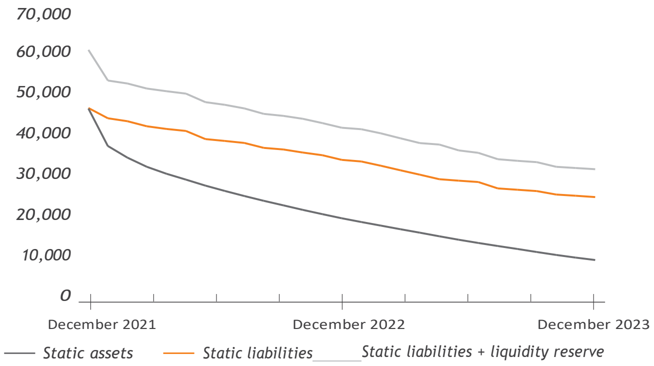
STRUCTURE OF TOTAL DEBT

(as at 31/12/2021)



STATIC LIQUIDITY[2]

(in million euros)



Static assets: Assets runoff over time assuming no renewal
Static liabilities: Liabilities runoff over time assuming no renewal

(2) Scope: Europe.

FINANCIAL POLICY

To prepare for the future, we renewed and upsized our retained securitization in Italy from €1.4 billion to €1.8 billion. We also set up a new private securitization program to refinance the residual values of finance leases in France. This program, which is currently used for a symbolic amount, can be increased and represents a potential new source of secure financing for the company. In the second half of 2021, a new public securitization program was set up in the United Kingdom. The £750 million in self-subscribed senior securities should be eligible for Bank of England long-term monetary policy operations, enabling RCI Bank UK to access the TFSME[(1)] long-term refinancing program and diversify its liquidity reserve. Lastly, RCI Banque arranged a public securitization backed by auto loans in Germany and issued €900 million in senior securities (including €200 million self-subscribed).

These resources, together with €4.3 billion of undrawn confirmed bank lines, €3.3 billion of collateral eligible for Central Bank monetary policy operations and €6.6 billion of High Quality Liquid Assets (HQLA), enable RCI Banque to maintain the financing granted to its customers for more than 12 months without access to external liquidity. As of 31 December 2021, RCI Banque's liquidity reserve (Europe scope) stood at €14.4 billion. This controlled reduction of €2.2 billion compared with the end of 2020 also makes it possible to reduce the cost of carrying cash surpluses. The liquidity reserve nevertheless remains significantly above internal targets.

RCI Banque's overall sensitivity to interest rate risk remained below the group's limit of €70 million.

As of 31 December 2021, a parallel rise in rates[(2)] would have an impact on the group's net interest margin (NII) of:

- -€0.9 million in EUR;
- -€0.8 million in BRL;
- +€0.8 million in KRW;
- +€0.3 million in GBP;
- -€1.7 million in PLN;
- +€0.3 million in CHF.

The sum of the absolute values of the sensitivities to a parallel interest rate shock[(2)] in each currency amounts to €8.6 million.

The group RCI Banque's consolidated transactional foreign exchange position[(3)] is €4.2 million.

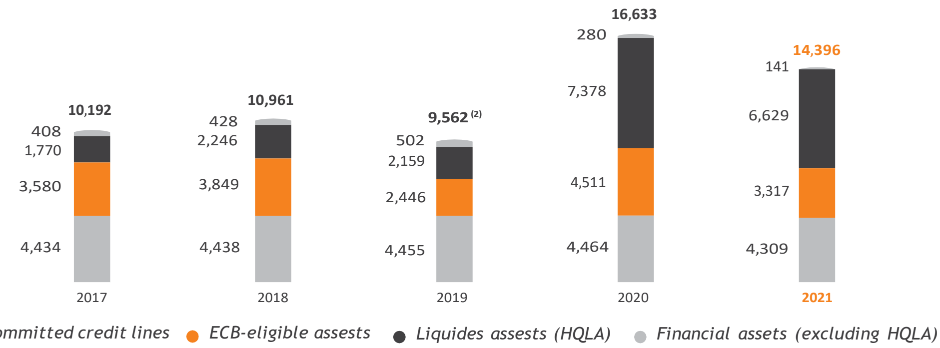
(1) Term Funding Scheme for SMEs (TFSME).

(2) Since 2021 and in accordance with the guidelines of the regulator (IRRBB Guidelines of 2018), the magnitude of interest rate shocks depends on the currency. Over 2021, the currency rate shocks were:
+100 bps for EUR, CHF, KRW,GBP, PLN, MAD, HUF, JPY, USD and SKK;
+150 bps for SEK and DKK;
+200 bps for CZK and RON;
+300 bps for BRL;
+500 bps for ARS and RUB.

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

LIQUIDITY RESERVE[(1)]

(in million euros)



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

RCI Banque group's programs and issuances

The group's consolidated issues are made by seven issuers: RCI Banque, Diac, Rombo Compania Financiera (Argentina), RCI Financial Services Korea Co Ltd (South Korea), Banco RCI Brasil (Brazil), RCI Finance Maroc, and RCI Colombia S.A. Compañia de Financiamiento (Colombia).

Issuer[(1)]	Instrument	Market	Amount	S&P	Moody's	Other
RCI Banque S.A.	Euro MTN Program	Euro	€23,000 million	**BBB-** (stable outlook)	**Baa2** (negative outlook)	
RCI Banque S.A.	NEU CP Program[(2)]	French	€4,500 million	**A-3**	**P2**	
RCI Banque S.A.	NEU MTN Program[(3)]	French	€2,000 million	**BBB-** (stable outlook)	**Baa2** (negative outlook)	
RCI Banque S.A.	Tier 2 Subordinated Notes n°19-517	Euro	€850 million	**BB**	**Ba2** (negative outlook)	
DIAC S.A.	NEU CP Program[(2)]	French	€1,000 million	**A-3**		
DIAC S.A.	NEU MTN Program[(3)]	French	€1,500 million	**BBB-** (stable outlook)		
Rombo Compania Financiera S.A.	Bond Program	Argentinian	ARS6,000 million		**A+** (arg) (stable oulook)	Fix Scr: **AA- (arg)** (stable outlook)
RCI Financial Services Korea Co Ltd	Bonds	South Korean	KRW1,520 billion[(4)]			KR, KIS, NICE: **A+**
Banco RCI Brasil S.A.	Bonds	Brazilian	BRL3,371 million[(4)]		**AA+.br** (stable outlook)	
RCI Finance Maroc	BSF Program	Moroccan	MAD3,500 million			
RCI Finance Maroc	Tier 2 Subordinated	Moroccan	MAD68 million			
RCI Colombia S.A. Compañia de Financiamiento	Bonds	Colombian	COP451 billion[(4)]	**AAA.co**		
RCI Colombia S.A. Compañia de Financiamiento	CDT: Certificado de depósito a Término	Colombian	COP580 billion[(4)]	**AAA.co**		

(1) RCI Banque & Subsidiaries fully consolidated.
(2) Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.
(3) Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.
(4) Outstandings.

AUDITORS' REPORT

31 December 2021

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

Commissaire aux comptes
Membre de la compagnie régionale de Versailles

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

Commissaire aux comptes
Membre de la compagnie régionale de Versailles

RCI BANQUE S.A.

Limited company (société anonyme) with a share capital of 100 000 000 €

Registered office : 15 rue d'Uzès 75002 Paris

RCS : Paris 306 523 358

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2021

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

Statutory auditors' report on the consolidated financial statements

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 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31st December 2021 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 2021 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

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

It is in this complex and evolving context that, 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 (buckets 1, 2 and 3)

Risk identified

RCI Banque S.A. recognizes impairment losses to cover the risk of non-recovery of loans granted to retail customers and car dealers. 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).

We consider the amount of credit loss provisioning as a key point of the audit, due to the significant amount of loans granted to retail customers and car dealers 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.

Those assumptions are even more important in the current situation of the evolution of the Covid-19 crisis which brings economical uncertainties in the world for the years to come.

The note 2 “Key Highlights” of the consolidated financial statements describes the assumptions used to estimate the impact of the evolution of the Covid-19 crisis. They mainly consisted in additional provisionning on the customers’ segments that are mostly affected by the Covid-19 crisis and increasing the weighting of the “adverse” scenario used in the calculation of the “forward-looking” impairment.

The expected credit losses set in accordance with IFRS 9 are presented in the Note 7 to the consolidated financial statements and amount to M€ 1 052 with a gross amount of receivables of M€ 46 470.

Our audit response

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

- Assessing the key controls related to the governance established to validate the changes in parameters and key assumptions involved in the calculation of the expected credit loss impaiment;
- Evaluating the staging process and most particularly the identification of the significant increase of credit risk on healthy receivables;
- Testing the quality of the application program interfaces that support the calculation and accounting of the expected credit losses;

- Assessing the methodologies applied to set the parameters used in the impairment models, as mentioned in note 3.E of the financial statements, and their operationnal integration in the information systems;
- Examining the documentation supporting the assumptions made to determine the additional impairment booked to reflect the impact of the Covid-19 crisis;
- Assessing the assumptions used to determine the prospective component of the expected credit loss (statistical forward looking) estimation, in particular on the weighting of the scenarios;
- Carrying out analytical procedures on the evolution of retail customer and car dealer loans oustandings and credit risk impairment;
- Assessing the appropriateness of the information presented in the notes to the consolidated financial statements.

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 L451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 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.

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 2021, KPMG S.A. and Mazars were respectively in the 8th year and 2nd 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 a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

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

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors*.* Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, 23th February 2022

The statutory auditors

KPMG S.A.	Mazars
Ulrich Sarfati *Associé*	Anne Veaute *Associée*

CONSOLIDATED FINANCIAL STATEMENTS OF THE RCI BANQUE GROUP

31 December 2021

CONSOLIDATED BALANCE SHEET

ASSETS - In millions of euros	Notes	12/2021	12/2020
Cash and balances at central banks	2	6 745	7 299
Derivatives	3	147	230
Financial assets at fair value through other comprehensive income	4	837	649
Financial assets at fair value through profit or loss	4	137	219
Amounts receivable at amortised cost from credit institutions	5	1 294	1 232
Loans and advances at amortised cost to customers	6 et 7	44 074	46 222
Current tax assets	8	21	26
Deferred tax assets	8	179	188
Tax receivables other than on current income tax	8	112	139
Adjustment accounts & miscellaneous assets	8	957	973
Investments in associates and joint ventures	9	146	129
Operating lease transactions	6 et 7	1 344	1 418
Tangible and intangible non-current assets	10	94	83
Goodwill	11	149	79
TOTAL ASSETS		**56 236**	**58 886**

LIABILITIES AND EQUITY - In millions of euros	Notes	12/2021	12/2020
Central Banks	12.1	3 738	2 250
Derivatives	3	44	84
Amounts payable to credit institutions	12.2	1 997	2 302
Amounts payable to customers	12.3	22 030	21 540
Debt securities	12.4	17 971	21 991
Current tax liabilities	14	136	143
Deferred tax liabilities	14	670	587
Taxes payable other than on current income tax	14	21	24
Adjustment accounts & miscellaneous liabilities	14	1 916	2 151
Provisions	15	162	190
Insurance technical provisions	15	436	461
Subordinated debt - Liabilities	17	893	890
Equity		6 222	6 273
- Of which equity - owners of the parent		*6 208*	*6 260*
Share capital and attributable reserves		*814*	*814*
Consolidated reserves and other		*4 950*	*5 159*
Unrealised or deferred gains and losses		*(402)*	*(500)*
Net income for the year		*846*	*787*
- Of which equity - non-controlling interests		*14*	*13*
TOTAL LIABILITIES & EQUITY		**56 236**	**58 886**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	12/2021	12/2020
Interest and similar income	25	1 766	1 928
Interest expenses and similar charges	26	(599)	(643)
Fees and commission income	27	639	609
Fees and commission expenses	27	(282)	(250)
Net gains (losses) on financial instruments at fair value through profit or	28	8	7
Income of other activities	29	1 091	1 039
Expense of other activities	29	(795)	(735)
NET BANKING INCOME		**1 828**	**1 955**
General operating expenses	30	(556)	(581)
Depreciation and impairment losses on tangible and intangible assets		(20)	(19)
GROSS OPERATING INCOME		**1 252**	**1 355**
Cost of risk	31	(62)	(353)
OPERATING INCOME		**1 190**	**1 002**
Share in net income (loss) of associates and joint ventures	9	19	19
Gains less losses on non-current assets			(1)
Impact of Profit & Loss for Subisidiaries in Hyperinflation Context		(14)	(15)
Goodwill impairment		(1)	(2)
PRE-TAX INCOME		**1 194**	**1 003**
Income tax	32	(328)	(206)
NET INCOME		**866**	**797**
Of which, non-controlling interests		20	10
Of which owners of the parent		846	787
Number of shares		1 000 000	1 000 000
Net Income per share (1) in euros		846,42	787,32
Diluted earnings per share in euros		846,42	787,32

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

The RCI group applies IAS 33 and on this basis considers that the basic earnings per share is calculated by dividing the net profit (loss) for the period attributable to ordinary shareholders by the number of ordinary shares issued during the period. The Group has no treasury shares. Diluted earnings per share reflect the potential dilution that could occur if dilutive instruments are converted into ordinary shares. The Group has not issued any dilutive instruments in ordinary shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE

In millions of euros	12/2021	12/2020
NET INCOME	**866**	**797**
Actuarial differences on post-employment benefits	8	(4)
Total of items that will not be reclassified subsequently to profit or loss	***8***	***(4)***
Unrealised P&L on cash flow hedge instruments	47	
Unrealised P&L on financial assets	(3)	
Exchange differences	53	(159)
Total of items that will be reclassified subsequently to profit or loss	***97***	***(159)***
Other comprehensive income	**105**	**(163)**
TOTAL COMPREHENSIVE INCOME	**971**	**634**
Of which Comprehensive income attributable to non-controlling interests	27	8
Of which Comprehensive income attributable to owners of the parent	944	626

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 2019	**100**	**714**	**4 271**	**(299)**	**(40)**	**903**	**5 649**	**53**	**5 702**
Appropriation of net income of previous year			903			(903)			
Equity at 1 January 2020	**100**	**714**	**5 174**	**(299)**	**(40)**		**5 649**	**53**	**5 702**
Change in value of financial instruments recognized in equity					(2)		(2)	2	
Actuarial differences on defined-benefit pension plans					(4)		(4)		(4)
Exchange differences				(155)			(155)	(4)	(159)
Net income for the year (before appropriation)						787	787	10	797
Total comprehensive income for the period				***(155)***	***(6)***	***787***	***626***	***8***	***634***
Effect of acquisitions, disposals and others			(4)				(4)	(1)	(5)
Dividend for the year								(11)	(11)
Repurchase commitment of non-controlling interests			(11)				(11)	(36)	(47)
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 post-employment benefits					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 other			1				1		1
Dividend for the year (5)			(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**

(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 2021 relates primarily to Argentina, Brazil, Colombia, South Korea, India, Morocco, Turkey, the United Kingdom, Switzerland and Czech Republic. At 31 December 2020, it related primarily to Argentina, Brazil, Colombia, South Korea, India, Morocco, Poland, Russia, Turkey, the United Kingdom and Czech Republic.

(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for €15m and IAS 19 actuarial gains and losses for -€18m at end-December 2021.

(5) Distribution to the shareholder Renault of a dividend on the 2020 result for €69 million and an exceptional dividend on retained earnings for €931 million.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	12/2021	12/2020
Net income attributable to owners of the parent company	**846**	**787**
Depreciation and amortization of tangible and intangible non-current assets	19	18
Net allowance for impairment and provisions	(89)	238
Share in net (income) loss of associates and joint ventures	(19)	(19)
Deferred tax (income) / expense	62	(35)
Net loss / gain from investing activities	5	4
Net income attributable to non-controlling interests	20	10
Other (gains/losses on derivatives at fair value through profit and loss)	13	(9)
Cash flow	**857**	**994**
Other movements (accrued receivables and payables)	(222)	231
Total non-monetary items included in net income and other adjustments	***(212)***	***437***
Cash flows on transactions with credit institutions	1 289	(645)
- Inflows / outflows in amounts receivable from credit institutions	*165*	*(79)*
- Inflows / outflows in amounts payable to credit institutions	*1 124*	*(566)*
Cash flows on transactions with customers	2 774	5 843
- Inflows / outflows in amounts receivable from customers	*2 525*	*2 721*
- Inflows / outflows in amounts payable to customers	*249*	*3 122*
Cash flows on other transactions affecting financial assets and liabilities	(3 998)	(757)
- Inflows / outflows related to AFS securities and similar	*(71)*	*547*
- Inflows / outflows related to debt securities	*(3 914)*	*(1 612)*
- Inflows / outflows related to collections	*(13)*	*308*
Cash flows on other transactions affecting non-financial assets and liabilities	(57)	44
Net change in assets and liabilities resulting from operating activities	**8**	**4 485**
Net cash generated by operating activities (A)	**642**	**5 709**
Flows related to financial assets and investments	(101)	5
Flows related to tangible and intangible non-current assets	(15)	(10)
Net cash from / (used by) investing activities (B)	**(116)**	**(5)**
Net cash from / (to) shareholders	(1 020)	(5)
- Outflows related to repayment of Equity instruments and subordinated borrowings		*6*
- Dividends paid	*(1 020)*	*(11)*
Net cash from / (used by) financing activities (C)	**(1 020)**	**(5)**
Effect of changes in exchange rates and scope of consolidation on cash and equivalent	**88**	**(57)**
Change in cash and cash equivalents (A+B+C+D)	**(406)**	**5 642**
Cash and cash equivalents at beginning of year:	8 111	2 469
- Cash and balances at central banks	*7 289*	*1 494*
- Balances in sight accounts at credit institutions	*822*	*975*
Cash and cash equivalents at end of year:	7 705	8 111
- Cash and balances at central banks	*6 729*	*7 289*
- Credit balances in sight accounts with credit institutions	*1 236*	*1 010*
- Debit balances in sight accounts with credit institutions	*(260)*	*(188)*
Change in net cash (1)	**(406)**	**5 642**

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

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 Bobigny Register of Trade and Companies under number 306 523 358.

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

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

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

1. APPROVAL OF FINANCIAL STATEMENTS - DISTRIBUTIONS

Groupe RCI Banque consolidated financial statements at 31 December 2021, were approved by the Board of Directors' meeting on 11 February 2022, and will be put before the annual general meeting of 20 May 2022, for approval.

The RCI Banque group's consolidated financial statements for the year 2020 were established by the Board of Directors on 12 February 2021 and approved at the Mixed General Meeting on 20 May 2021. It was decided to pay shareholders a dividend of €69.4 million on the 2020 result, calculated in accordance with the ECB recommendation (ECB/2020/62) on dividend distributions in the context of the Covid-19 pandemic. This dividend was paid in June 2021.

At the Annual Ordinary General Meeting of 30 September 2021, it was decided to pay shareholders an exceptional dividend on retained earnings in the amount of €930.6 million.

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

2. KEY HIGHLIGHTS

- **New issues of securitization funds**

The French subsidiary DIAC has set up a new private securitization program ("Cars Alliance Auto Leases France RV MASTER" sub-fund) to refinance the residual values of Leases with Purchase Options (LOA) originated by DIAC. This is currently used for an amount of €150 million for class A securities and €127.8 million for class B securities auto-subscribed for by DIAC S.A.

This amount can be increased and represents a potential new source of secure financing for the company.

- **New Securitization in Germany**

RCI Banque placed a public securitization backed by car loans in Germany and issued €900m of senior securities (of which €200 million of treasury stock).

- **TFSME program**

The Group was also able to benefit from the TFSME program issued by the Bank of England in 2020 and was able to make accumulated drawdowns of GBP 409.3 million in 2021 with a maturity in September and October 2025. (see Note 12)

The maximum interest rate applicable to this financing over the period is calculated on the basis of the Bank of England base rate (0.25% at 31 December 2021) plus a margin of 0.25%.

The Group applied IFRS9 to its financing, considering this rate to be adjustable like a market rate applicable to all banks benefiting from the TFSME program.

- **Acquisition of Bipi**

The Group acquired the Bipi entity on July 8, 2021.

Bipi is a Spanish start-up based in Madrid that offers an on-line Car Subscription offering enabling retail and small business customers to subscribe to a flexible rental agreement (without a long-term commitment and tacit renewal of the monthly rental charge). They can choose between a range of new or used vehicles with a fixed monthly rental charge that includes services such as warranty extension, maintenance, vehicle insurance, management of fines, etc.

With this acquisition, the RCI Group is expanding its service package, enabling it to face a more flexible automotive market, based on usage. This entity is a leading multi-brand platform for car subscription offerings for used vehicles, a growing segment.

The automotive market is moving towards greater flexibility. Customer demand is therefore moving towards more transparent, flexible and usage-based models. Car subscription offerings should thus reach 8% of the car financing market in the EU5 (France, Germany, etc.) in 2025, i.e. around €22 billion.

Goodwill of €68 million was recorded at the time of this acquisition (see section B and Note 11). This amount could be reviewed in 2022 following the Purchase Price Allocation.

- **Covid-19 health crisis:**

Although the economic climate is still uncertain and disrupted by the evolution of the pandemic, the situation in 2021 is different to that in 2020. Teleworking has remained widely applied within the Group, however, depending on each specific local context. The year 2020 reflected the full effect of the Covid-19 crisis, with strict lockdown measures in almost all of the countries in which the Group is present.

In 2021, the effects of the Covid-19 crisis on the economy are gradually diminishing, particularly in Europe, thanks to government support plans and less restrictive lockdown measures made possible by the acceleration of vaccination campaigns. However, the circumstances surrounding the Covid-19 pandemic continued to slightly disrupt lending activity in some countries.

Newly defaulted outstandings on average remained at a level below or equal to those seen before the Covid-19 crisis, while risk management systems remained calculated cautiously. Debt collection performance has improved. This change is more noticeable in Europe, and less marked in other regions, particularly South America and Morocco.

Particular attention was paid to recovery resources and practices. This had led us to organize and program the end of maturity date extensions in all countries to help our customers continue to pay their loan installments and get through this difficult period.

In terms of our loan granting policy, most of the 2020 arrangements have been extended. The aim was to adapt the acceptance criteria so as to ensure the quality of the loans to finance production remained in line with risk appetite requirements. We thus took measures targeted to the business segments to mitigate the consequences of the crisis and many of our acceptance systems (scores, business activity rules, anti-fraud systems) were revised to take better account of the situation.

Finally, at the end of the last two fiscal years affected by the Covid-19 crisis, we opted for non-model adjustments (see Key hypotheses for the calculation of expected losses under IFRS). They cover primarily, when a deterioration of the credit risk looks likely, the exposures that had benefited from significant moratorium periods in 2020 – 2021 (in Morocco, Spain, Italy, Brazil and Colombia) or customers identified as vulnerable using, where applicable, external data (in the UK, Spain, Italy).

Note: RCI Banque is not involved in the granting of government-guaranteed loans (PGE).

Information on outstandings subject to active moratoriums 2021.12

In millions of euors	Retail		Wholesale		Total	
Geographical Zone	Outstandings	Provisions	Outstandings	Provisions	Outstandings	Provisions
Europe	0,6	- 0,1	0,0	- 0,0	0,7	- 0,1
of which Germany	-	-	-	-	-	-
of which Spain	0,0	0,0	-	-	0,0	0,0
of which France	-	-	-	-	-	-
of which Italy	0,6	- 0,1	0,0	- 0,0	0,6	- 0,1
of which United Kingdom	-	-	-	-	-	-
of which other countries*	0,0	- 0,0	-	-	0,0	- 0,0
Eurasia	-	-	-	-	-	-
Africa-Middle East	-	-	-	-	-	-
Asia-Pacific	-	-	-	-	-	-
Amercias	-	-	-	-	-	-
of which Argentina	-	-	-	-	-	-
of which Brazil	-	-	-	-	-	-
of which Colombia	-	-	-	-	-	-
Total	**0,6**	**- 0,1**	**0,0**	**- 0,0**	**0,7**	**- 0,1**

Information on outstandings subject to moratoriums

In millions of euros	Customers		Dealer financing		Total	
Geographical Zone	Outstandings	Provisions	Outstandings	Provisions	Outstandings	Provisions
Europe	220,0	- 20,9	22,8	- 0,1	242,8	- 21,0
of which Germany	-	-	1,8	- 0,0	1,8	- 0,0
of which Spain	5,1	- 2,0	-	-	5,1	- 2,0
of which France	16,3	- 1,4	-	-	16,3	- 1,4
of which Italy	150,9	- 13,2	0,2	- 0,0	151,1	- 13,2
of which United Kingom	8,4	- 0,2	-	-	8,4	- 0,2
of which other countries	39,3	- 4,2	20,9	- 0,1	60,2	- 4,3
Eurasia	0,3	-	-	-	0,3	-
Africa-Middle East-India	24,9	- 9,1	1,8	- 0,0	26,7	- 9,1
Asia-Pacific	2,0	0,0	-	-	2,0	0,0
Americas	16,5	- 9,6	-	-	16,5	- 9,6
of which Argentina	4,9	- 4,3	-	-	4,9	- 4,3
of which Brazil	-	-	-	-	-	-
of which Colombia	11,6	- 5,4	-	-	11,6	- 5,4
Total	**263,8**	**- 39,6**	**24,7**	**- 0,1**	**288,4**	**- 39,7**

Covid-19 moratoriums were applied according to the situation in each country. Renewals remained very low in 2021. Exposures subject to moratoriums in accordance with the provisions of the EBA amounted to €0.65 million (€0.6 million performing) at the end of 2021, compared with €263.8 million at the end of 2020 (€262.2 million performing).

In Dealer financing activity, the value of still current exposures granted extensions is now only €0.057 million and relates only to two countries: Italy and Croatia. With the exception of these two countries, all of the extensions granted to dealers during the lockdown period have been settled to RCI. It should be noted that since then, no new generalized extension measures have been taken.

At the end of 2021, outstandings of retail and corporate customers classified as Bucket 3, stood at €991 million, compared with €704 million at the end of 2020 (see note 7). This increase of €287 million came from application of the new definition of default which requires the total payment of sums due to stop the arrears counter and provides for downgrading to Bucket 3 when the debtor is in arrears by more than 90 days.

With the iso methodology (former default definition), the outstandings classified in Bucket 3 were down compared to the end of 2020. This change reflects the favorable trend in risk parameters and the good recovery performance observed (decline in collections and defaults, recoveries when in default, improvement in LGD). The shortage of new vehicles, linked to the semiconductor crisis, also contributed positively to the resale performance for seized vehicles.

As the economic climate remains uncertain, the cautious approach adopted at the end of 2020 and mid-2021 was maintained.

- on the criteria for reclassifying certain receivables to Bucket 2 (receivables impaired from origination).

These are non-model adjustments mainly concerning a) corporate exposures outside the network on which an individual review is carried out on a regular basis, and b) clients whose moratoriums have expired, some of them downgraded to forbearance.

Better analysis of situations through external data and/or hindsight mean it is now possible to assess the behavior of outstandings that have had longer moratoriums in Italy and Morocco being downgraded to forbearance.

- In the provisioning of the same receivables; this is a non-model adjustment (mainly when signs of a possible deterioration are identified).

Furthermore, in the same way as at 31 December 2020, the forward-looking provision forecast was completed for customer segments deemed particularly affected by the crisis. In the absence of any late payments, the segments concerned were retained in their original bucket. These all relate to Retail exposures on clients operating in business sectors particularly affected by the crisis, but for which an individual analysis was not possible. The outstandings concerned amount to €2,369 million. The adjustment made was to bring the provisioning rate in line with the rate recorded for the outstandings of the same segments recognized in Bucket 2.

In total, the provisioning rate for Bucket 2 fell from 6% to 5.2%, while the provisioning rate for Bucket 3 fell from 67.5% to 54.5% between the end of 2020 and the end of December 2021, the drop in the hedging rate being attributable to the implementation of the New Definition of Default across the entire scope. The hedging rate of B1, on customer exposures in this category, was stable (0.7% vs. 0.8%), and the contribution of the sector forward - looking adjustment was also stable. Additional adjustments contributed 1.46% and 3.48% respectively to the coverage rates for Buckets 2 and 3.

On the lender insurance business covered by the Group's insurance subsidiaries, the impact of Covid-19 manifested itself as at 31 December 2021 by:

- A decrease in production directly linked to the decrease in the volumes of financing granted: -18% compared to the same period in 2019 (pre-Covid-19 reference year), i.e. -€ 27m in written premiums.
- With regard to death cover, the introduction of vaccines has reduced mortality, which makes it no longer possible to model death waves. The Covid-19 loss ratio is now included in the traditional loss ratio projection methods.

Over this period, 506 claims Covid 19 related claims were paid for an amount of €4.3 million. By way of comparison, payouts for 213 death claims had already been made in 2020 for an amount of €1.8 million.

With regard to job loss insurance, in view of the economic support measures still in force, no significant increase in actual claims was recorded during the period. However, the additional provision of €3.5 million set up in 2020 was retained to plan ahead for the potential effects of an end to the accommodating economic policies. Note that these guarantees do not cover partial unemployment.

- 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 cumulative cost of customer risk at the end of December 2021 amounted to 0.26% of average performing assets, compared with 0.89% at the end of December 2020. It can be accounted for primarily by~~:~~

- Net write-offs of recoveries which rose by a moderate 8% compared to the financial year 2020, to €114.2m or 0.30% of average outstandings. This increase reflects the maturity of outstandings in Colombia and the implementation of a policy of abandonments during this year for the entirely provisioned receivables.

- Additional appraisal adjustments of 0.10% of average customer outstandings, mainly driven by a) analyzes of counterparties undertaken "on a case-by-case basis" as indicated above and as part of the standard practice of hedging corporate exposures. b) hedging up to 100% of exposures on financed frauds detected in the specific economic context and c) hedging, in certain cases using external data, of exposures that had until recently benefited from “Covid-19” moratoriums or which, with the benefit of insight, proved to have a more risky profile.

For the dealer network, the cost of risk stood at 0.52% of average performing assets, i.e. a reversal of the provision for impairment of €37 million in 2021.

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

For retail, the forward-looking adjustment resulted in a charge of €3 million only to the cost of risk compared with €67 million in 2020:

- €0.7 million for the update of the macroeconomic / "statistical" component in which the adverse scenario weighting was reduced for the United Kingdom, Brazil, Spain and Italy in view of the more stable economic outlook;

- €2.3 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 €14.5 million in the year of 2021.

It should also be noted that the loss given default used to calibrate provisions, which had been negatively impacted by the health crisis in 2020, show signs of improvement in 2021, with a return to the normal debt collection processes. The shortage of new vehicles, linked to the semiconductor crisis, also contributed positively to the resale performance for vehicles seized.

The breakdown of transactions with customers and the provisions associated with each IFRS 9 classification are detailed in Notes 7.

<u>Significant assumptions for IFRS 9 expected loss calculations</u>:

These are close to those used for the 2020 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.
  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": the most optimistic scenario that uses the parameters of the European Central Bank (ECB) stress tests of February 2021 and thus making it possible to stress the PDs and LGDs, and therefore the ECLs for the G7 countries in the RCI provision tool;
  - “Adverse”: least optimistic scenario, which also stems from the ECB stress tests for the retail part and internal historical data for the wholesale activity.

  The scenarios are then weighted to take account of macroeconomic projections (GDP, unemployment, etc.) and thus obtain a forward-looking statistic by comparison with the IFRS 9 accounting provisions.

  Since the Covid-19 crisis, the forward-looking statistic includes a sectoral provision and is therefore composed of a statistical + sectoral provision, after restatement of the statistical component of the sectoral provisions so as not to have a double provision for outstandings.

- **Forward-looking - Sector approach**

  The method for the sector-based approach was changed this year with new segments added following the INSEE note and others withdrawn. In addition, the sector-based forward-looking provision now includes a new category, individuals working for an employer in high-risk sectors.

  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, as was done at the end of 2020. They were occasionally supplemented by a small number of sectors specific to certain countries. This adjustment represented €47 million at the end of June 2021, compared with €45 million at the end of 2020.

- **Forward-looking - Statistical approach**

After 2020, a year marked by Covid-19 and the corresponding uncertainties in terms of macroeconomic impact, in 2021 we have more perspective on the long-term economic projections. The RCI group thus decided to uphold “stability” as its main scenario while slightly reducing the adverse scenarios in certain countries:

  - The Adverse scenario for Italy’s Retail activity was reduced from 35% to 25% and that of Spain from 30% to 25%, aligning the two “Mediterranean” countries on account of, primarily, Italy's strong rebound in the OECD macroeconomic data for December 2021. In addition, these two countries have similar trends in terms of GDP projections. Italy will benefit from a strong rebound of 6.31% in 2021 and an outlook of +4.62% in 2022, while Spain's GDP will increase by 4.46% in 2021 and 5.52% in 2022. On the unemployment rate projections, the trends are also similar but the starting point for Spain remains higher at 15%. Given the similarities, the adverse scenario for Italy's wholesale activity was also reduced to 40%, in line with Spain, compared to 45% in June 2021.

  - The UK's adverse scenario was also reduced for retail activity from 40% to 25% and for wholesale activity from 40% to 30%. In December 2020 a hard Brexit scenario was still likely and thus the UK's weighting had been increased. At the end of 2021, the economic outlook is good with a GDP increase of 6.92% in 2021 and a projection of more than 4% in 2022. The expected unemployment rate remains at low levels of around 4%.

  - The adverse scenario for Brazil has been slightly reduced from 45% to 40% for retail activity in order to take account of an increase in GDP of almost 5% in 2021 but has been held at higher levels than the other G7 countries in view of the low GDP projections in 2022 and 2023 (1.44% and 2.06%) and upcoming elections in 2022. In addition, unemployment remains high at 13.82% in 2021 and over 12% in 2022 and 2023.

Following these changes in weightings, the statistical forward-looking provision is €87.8 million, compared with €101.5 million in December 2020.

- **Forward-looking statistical sensitivity:**

If a weighting of 100% is applied to the stability scenario, we take account of the ECL given out by the calculation tool with no stress applied. There would therefore be no stock of forward-looking statistics created.

If a weighting of 100% is applied to the baseline scenario, the resulting ECL stock is €71 million lower than the accounting ECL. We would have a smaller stock of ECL than we have at present, consisting of a forward-looking projection based on a more favorable macroeconomic climate than the one taken into consideration in the calculation tool.

With a weighting of 100% on the adverse scenario, the ECL stock would be greater and the forward-looking stock would increase to €369 million.

- **The statistical and sectoral provision stood at €134.8 million compared to €146.2 million in December 2020.**

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**

In millions of euros	Customer			Dealer financing			Total 12/2020
	Bucket 1	Bucket 2	Bucket 3	Bucket 1	Bucket 2	Bucket 3	
France	23,2	7,6	2,1	12,4	0,5	0,0	**45,9**
Brazil	2,3	3,8	1,8	1,9	0,3	0,1	**10,2**
Italy	4,9	3,3	1,0	1,5	0,4	0,2	**11,2**
Spain	6,6	5,2	0,6	5,9	1,6	0,1	**20,0**
Morocco	4,2	1,2	0,4	1,2	0,4	0,0	**7,3**
United Kingdom	14,1	7,2	1,1	1,4	0,1		**23,9**
Germany	2,5	2,2	0,3	2,1	0,2	0,1	**7,4**
Colombia	2,9	1,3	0,2	0,1		0,0	**4,5**
Portugal	0,9	0,2	0,0	3,4	0,3	0,0	**4,8**
Austria	1,9	0,3	0,1	0,3	0,0	0,0	**2,5**
Poland	1,2	0,5	0,1	1,2	0,1	0,0	**3,1**
Czech Rep	0,0	0,1	0,0	0,1	0,0		**0,2**
Other	0,4	0,9	0,2	3,0	0,7	0,0	**5,3**
Total	**65,0**	**33,5**	**8,0**	**34,8**	**4,7**	**0,5**	**146,4**

- **Provisions for appraisals (additional non-model adjustments)**

Vulnerable customers

Depending on the procedures applied in each country when granting Covid-19 moratoriums, an additional provision was applied to the exposures that benefited from them in 2020-2021, irrespective of whether or not they had been downgraded to forbearance. Essentially, the method applied involved assessing the risk on these portfolios on the basis of external data and/or with sufficient hindsight on the behavior of exposures at the end of moratoriums.

Excluding the benefit of moratoriums, vulnerable customers were identified in Spain, the UK and Colombia, using external data where appropriate. Additional hedging was put in place.

At the end of 2021, the adjustment represents a provision of €47 million compared with €41.7 million at the end of 2020, on a like-for-like basis.

Fraud

In the uncertainty of the fiscal year, the hedging of exposures identified as fraud was increased by an additional provision of €13.1 million in in 2021.

Non-model adjustments

These adjustments that were made to take account of specific situations or recent developments not yet included in the risk parameters. For example, if an offering with a higher risk profile was detected, or to take account of volumes of outstandings measured in 2021 which may only be temporary in certain situations (economic support program or partial unemployment), but which impact on the risk parameters.

Other adjustments

These represent €11.8 million and are intended to anticipate changes in the provisioning model in Colombia in 2022, or to adjust the bucket classification of outstandings in anticipation of ongoing tool adjustments. Lastly, for Argentina, provisions are currently made outside the automatic risk parameters (during the revision of the post-moratorium risk parameters).

- **Classification of assets by bucket**

In the event of non-model adjustments following an individual review of corporate counterparties (excluding wholesale), the healthy exposure is downgraded to B2. The outstandings concerned by this review reached €317 million at the end of 2021, while the corresponding provision amounted to €35 million at the end of 2021.

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”.

In the groupe RCI Banque, this analysis was carried out on a case-by-case basis without resorting to systematic downgrading (see section E and note 7.1).

➢ Application of the new definition of default

The purpose of the EBA/GL/2016/07 "Guidelines on the application of the default definition" issued by the European Banking Authority (EBA) on 01/18/2017 is to harmonize the practices of credit institutions in the identification of defaulted outstandings by providing detailed clarification on the various grounds for default (including the counting of days in arrears), the conditions for returning to non-default and the associated processes. This text applies from 01/01/2021.

In addition, the EBA/RTS/2016/06 “Final draft RTS on materiality threshold of past due credit obligations”, also produced by the EBA and published on 09/28/2016, introduces a single methodology for counting days in arrears (Day Past Due counting) based on the application of absolute and relative materiality thresholds.

In its EU regulation 2018/1845 of 11/21/2018, the ECB has set, for credit institutions in the European Union considered important :

- the absolute threshold at €100 for retail customer exposures and €500 for other exposures.
- the relative threshold (ratio between the total amount of arrears of a debtor and the total amount of the exposures to this debtor appearing on the balance sheet of the institution) at 1%.

In addition, the ECB requests the application of the two materiality thresholds no later than 01/01/2021.

RCI Banque launched its project to comply with the new definition of default in 2018. It has chosen the “One Step” approach, which consists of applying the new definition of default and adjusting its internal models at the same time, for both the Dealer network portfolio and the Customer portfolio.

For the countries using the advanced method to calculate the solvency ratio (France, Italy, Spain, Germany, United Kingdom & South Korea), the ECB’s mission relating to the calibration of the New Default was finalized in December 2020.

As for the countries using the standardized method (non-G7 countries) and Brazil, for the calculation of the solvency ratio, the new definition of default has been applied for the Customer and Dealer network portfolios from January 1, 2021.

It should be noted that the application of the new definition of default does not change the IFRS 9 provisioning methodology.

The impact of the new definition of default on the retail cost of risk at end-December 2021 is low.

Thus, for the standard method scope (excluding Brazil): we record no impact, the rules for provisioning remained the same and still according to the duration of the arrears.

Receivables identified as doubtful, given the new definition of default, remain covered using unchanged provisioning methods.

Application of the new definition of default to the standard method countries and Brazil generally generates an increase in doubtful receivables and a decrease in the hedging ratio of these same receivables.

The provisioning parameters (PD, LGD) are currently established according to the new definition of default methods (reconstruction of historic calculations, adapted day past due counter, etc.).

Dealer network:

Transition to the new definition of default only impacted the cost of risk through the update of the PDs and LGDs.

3. ACCOUNTING RULES AND METHODS

In application of Regulation 1606/2002 adopted on 19 July 2002 by the European Parliament and European Council, groupe RCI Banque has prepared its consolidated financial statements for 2020 in accordance with the IFRS (International Financial Reporting Standards) guidelines published by the IASB (International Accounting Standards Board) at 31 December 2021 and as adopted in the European Union by the statement closing date.

During the fiscal year, Diac Location amended its method for determining the interest-related credit notes to be issued. This adjustment generated an overall pre-tax loss over previous fiscal years of €23 million, of which €5 million for 2020.

A) Changes in accounting policies

Groupe RCI Banque applies the standards and amendments published in the Official Journal of the European Union, application of which has been mandatory since 1 January 2021.

- **New regulations that must be applied at 1 January 2021**

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Benchmark interest rate reform – Phase 2
Amendments IFRS 4	Insurance policies - Extension of the provisional exemption from application of IFRS 9 for fiscal years beginning before 1 January 2023

The amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 relating to financial instruments, relating to the Phase 2 interest rate reform, was applied early by the RCI Group in its consolidated financial statements at December 31, 2020. The RCI Group signed up to the ISDA 2020 IBOR Fallbacks Protocol in 2020 and to the ISDA 2018 Benchmark Supplement Protocol in 2021.

In the second half of 2021, the RCI group terminated swaps that comprised interest rate references affected by the reform that were included in hedging relationships for nominal amounts of CHF 300 million and £100 million.

The Groupe consider that it has no uncertainty regarding the future of the Euribor index since the compliance of this index was validated by the European Banking Authority.

As a result, there’s no more relationship qualifying as an interest rate hedge within the meaning of IFRS9 including an index affected by the rate reform in the annual financial statements of Groupe RCI at 31 December 2021.

The application of these amendments has no material effect on the Group’s financial statements.

- **New text in force from 1 April 2021**

In March 2021, the IASB published an amendment to IFRS 16 "Covid-19 related reductions in lease payments beyond 30 June 2021". It came into force on 1 April 2021 and extended the period of application of the 2020 amendment concerning "Covid-19 related reductions in lease payments". In line with the position adopted for fiscal year 2020, the Group did not apply the amendment in the annual financial statements for fiscal year 2021, As in 2020, the reductions granted to the Group in 2021 have no material impact.

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

Amendments IAS 16	Revenue generated before intended use	01/01/2022
Amendments IFRS 3	Update of the reference to the conceptual framework	01/01/2022
Amendments IAS 37	Costs to be taken into account when determining if the contract is onerous	01/01/2022
Annual improvements (2018-2020 cycle)	Annual standards improvement process	01/01/2022
IFRS 17 and amendments	Insurance policies	01/01/2023

The 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.

Other standards and amendments not yet adopted by the European Union

In addition, the IASB has published new 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 IAS 1	Information on material accounting policies	01/01/2023
Amendments IAS 8	Definition of accounting estimates	01/01/2023
Amendments IAS 12	Deferred tax on assets and liabilities arising from the same transaction	01/01/2023

The 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 IFRIC on Attributing benefits to periods of service (IAS 19)**

In May 2021, IFRS IC published a decision to clarify the provisioning period for retirement benefits in the case of programs for which:

- the benefit is due to the employee if he or she is present in the company at the time of retirement;
- the indemnity is calculated according to the number of years spent by the employee in the entity but is capped at a certain number of months of salary.

The decision clarifies that in this case and in accordance with IAS 19, the cost of these benefits should be allocated to the last years of service required for their acquisition before the retirement age (and not to spread the benefit over the employee's entire career).

To take account of this interpretation, the amount of the provision for acquired rights was modified in the 2021 financial statements but the amount in question was immaterial.

- **Interpretation of the IFRIC on the costs of configuring and customizing a SaaS contract for software (IAS 38).**

With regard to the interpretation of the IFRIC of April 2021, relating to the recognition of the costs of configuration and customization of a SaaS type contract for software, no significant impact has been identified at this stage.

- **Interpretation of the IFRIC on the recognition of "Targeted Long Term Refinancing Operations" (IFRS 9 and IAS 20).**

Finalisation of the IFRIC decision aimed at clarifying the analysis and accounting of TLTRO III transactions, scheduled for December 2021, has been postponed until February 2022. The Group has chosen to apply IFRS9 to all drawdowns made under the TLTRO III program, considering that the rate set by the ECB is a market rate, insofar as it applies in the same way to all banks benefiting from the program and where the ECB decides the rate and can modify it unilaterally at any time. Additional information on these drawdowns is provided in Note 12.

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).

Les actifs titrisés de Diac SA, de RCI FS Ltd, des succursales italienne et allemande pour lesquels le groupe RCI Banque a conservé la majorité des risques et avantages, sont maintenus à l'actif du bilan. 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 RCI 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.

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

Acquisition cost of shares and goodwill

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

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

And

- The net carrying amounts of 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 RCI Banque group would have to pay out to the non-controlling interests if the options were exercised, taking into account future returns on the financing portfolio existing at the closing date and the provisions set out in the cooperation agreements concerning the subsidiaries.

In accordance with the provisions set out in IAS 32, the group has recognized a liability arising from put options sold to non-controlling interests of exclusively controlled entities in a total amount of €168 million at 31 December 2021, compared with €165 million at 31 December 2020. 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 RCI Banque group operations, whether these items are recurring or result from one-off decisions or transactions, such as restructuring costs.

D) Estimates and judgments

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

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

Given the context of the specific decree and the impacts related to Covid-19, changes were made to the judgments and assumptions used compared to December 2020, concerning:

- **Forward-looking** (see the paragraph "Cost of risk" in section 2. KEY HIGHLIGHTS)
- **Provision estimation models**:
  Since the second half of 2021, estimation models have included the transition to the new definition of default.

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

- a group-wide rating for borrowers in the Dealer segment, which is used during the various phases of the relationship with the borrower (initial approval, risk monitoring, provisioning),
- a group-wide rating for bank counterparties, which is established on the basis of external ratings and each counterparty’s level of capital,
- For 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 RCI Banque group uses the definition given by the European Banking Authority (EBA) in its ITS (Implementing Technical Standards) 2013/03 rev1 of 24.07.2014 to identify its forborne exposures (restructured loans).
Forbearance (loan restructuring) consists of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.
It thus refers to cases where there is:

- a modification of the terms and conditions of a contract in order to give the customer in financial difficulties the chance to meet their commitments (such as a change to the number of repayments, extension of term, change to installment 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.

<u>Definition of Expected Credit Loss</u>

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.

<u>Generic ECL formula:</u>

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

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

With:

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

- ✓ t = discount rate

Each of the parameters is individually calibrated.

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

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

<u>Probability of default – PD:</u>

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

<u>Best estimate of loss in the event of default – ELBE9 IFRS 9:</u>

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).

<u>Update:</u>

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

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

<u>Forward-looking perspective:</u>

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

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

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

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

Definition of default used at RCI Banque

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 RCI 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. RCI group subsidiaries must remove from the financial statements the amount due from the counterparty on an account in loss and resume the associated depreciation when the unrecoverable nature of receivables is confirmed and so at the latest when its rights as creditor are extinguished.

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

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

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

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

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

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

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

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

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

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

In accordance with IFRS 16, RCI Banque group makes a distinction between finance leases and operating leases as lessor. The new standard does not imply any change for the lessor compared with the standard it supersedes, namely IAS 17.

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

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

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

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

G) 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 RCI Banque 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 (see key events). 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 RCI 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): €15.4 million
Lease debt (see Note 14): €15.4 million

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

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

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

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

Sales support

At 31 December 2021, the RCI Banque group had provided €17,832m in new financing (including cards) compared with €17,858m at 31 December 2020.

Relations with the dealer network

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

At 31 December 2021, dealer financing net of impairment allowances amounted to €6,770m against €8,894m at 31 December 2020.

At 31 December 2021, €505m was finance directly granted to subsidiaries or branches of Groupe Renault against €1,152m at 31 December 2020.

At 31 December 2021, the dealer network had received, as business introducers, remuneration of €837m against €792m at 31 December 2020.

Relations with the car makers

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

Under their trade policies and as part of promotional campaigns, the manufacturers help to subsidize financings granted to customers by the RCI Banque group. At 31 December 2021, this contribution amounted to €338m against €501m at 31 December 2020.

I) Recognition and measurement of the securities portfolio

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

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

UCITSs and 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. These shares are no longer depreciated under IFRS 9.

Securities measured at fair value through OCI (FV OCI)

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

- Debt instruments :

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

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

Defined benefit plans:

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

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

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

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

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

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

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

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

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

Q) Derivatives and hedge accounting

Risks

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

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

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

Measurement

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

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

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

Credit adjustment

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

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

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

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

Fair value hedge

RCI Banque has elected to apply fair value hedge accounting 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

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

- Hedging interest-rate risk on variable rate liabilities using a receive 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. For the second type of hedging, the test performed entails ascertaining that interest-rate exposure on the cash flows from reinvestment of non-derivative financial assets is indeed reduced by the cash flows from the derivatives used for hedging.

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

Trading transactions

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

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

R) Operating segments (IFRS 8)

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

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

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

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

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

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

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

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

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 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 2021, this liability adequacy test did not reveal any anomalies.

Income statement:

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

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, it 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 31/12/2021, 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 (2021-2024) 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 drop in profitability of less than 8% for the insurance subsidiary RCI Life and less than 5% for the insurance subsidiary RCI Insurance. 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 RCI 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, RCI Banque continues to implement a prudent financial policy and reinforces its liquidity management and control system.

Liquidity

RCI Banque pays great attention to diversifying its sources of access to liquidity. Since the start of the financial crisis 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 RCI Banque'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

In 2021, the economic situation related to the Covid-19 pandemic continued to disrupt credit activity, primarily due to periods of lockdown. As such, in line with 2020, RCI changed its organization and collection processes to adapt its resources to its business.

All of these actions helped to improve the quality of the lending portfolio with an 11% decrease in default on outstanding loans compared to the end of 2020 (stage 3-pro-forma former definition of default), on the one hand, and on the an increase in the quality of the loans put in place, which is primarily reflected in the 7.8% decrease in collections compared to 2020.

Particular attention was paid to recovery resources and practices. This had led us to organize and program the end of maturity date extensions in all countries to help our customers continue to pay their loan installments and get through this difficult period.

In terms of our loan granting policy, most of the 2020 arrangements have been extended. In view of the pandemic and economic situation, the aim was to adjust the acceptance criteria so as to maintain the quality of loans for production in line with the risk appetite requirements. We thus took measures targeted to the business segments to mitigate the consequences of the crisis and many of our acceptance systems (scores, business activity rules, anti-fraud systems) were revised to take better account of the situation.

Finally, at the end of the last two fiscal years affected by the Covid-19 crisis, we opted for non-model adjustments (see Key hypotheses for the calculation of expected losses IFRS). They cover primarily, when a deterioration of the credit risk looks likely, the exposures that had benefited from significant moratorium periods in 2020 – 2021 (in Morocco, Spain, Italy, Brazil and Colombia) or customers identified as vulnerable using, where applicable, external data (in the UK, Spain, Italy). The systematic identification and treatment of vulnerable customers will remain a fundamental approach.

The Group continues to aim to keep the overall credit risk at a level compatible with the expectations of the financial community and its profitability targets.

Profitability

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

Governance

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

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

Exposure to non-commercial credit risk

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 2021.

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

Furthermore, to meet regulatory requirements resulting from implementation of the 30-day liquidity coverage ratio (LCR), RCI Banque 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 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

The decline of the coronavirus pandemic in Europe and the United States enabled governments to return to an economic activity that was close to normal in 2021. Fueled by soaring energy prices and tensions in the supply chain, inflation has been a major focus for investors since September. Inflation figures reached their highest level in ten years in the eurozone (+4.9% on an annualized basis in November, after increases of 1.8% and 2.8% respectively in the second and third quarters.) and have lead to a rise in long-term interest rates.

Global economic growth is slowing due in part to persistent supply bottlenecks. The slowdown in growth momentum also reflects a normalization compared to the post-Covid-19 rebound, as the base effects of the reopenings diminish and the support measures are reduced.

In the United States, the economic recovery slowed down in the second half (2.3% annualized growth in the third quarter compared to 6.7% in the second quarter of 2021) due to supply chain constraints and the sharp increase in contamination by the delta variant. Indeed, Covid-19 cases increased at the beginning of the third quarter, leading to a drop in consumer confidence and a decrease in spending, especially in vulnerable sectors.

At its 15 December meeting, the US Federal Reserve formalized the change in its monetary policy and showed its determination to lower price increases, recognizing that the current inflation phenomenon (5.3% annualized in the third quarter after increases of 1.9% and 4.8% respectively in the first and second quarters) can no longer be considered as transitory. Thus, from January onwards, the rate of reduction of the monetary easing policy ("tapering") will be doubled and purchases will be reduced by $30 billion, targeting a definitive end to the economic support program in March. It has maintained its Fed Funds rate target at 0-0.25%, but now plans three rate hikes of 25 bps each in 2022.

The European Central Bank has maintained its broadly accommodating policy, estimating that the inflation peak is temporary and that it will return to around 2% in the next two years. The ECB has left its main key rate unchanged at 0%, and does not expect any increase in the short term. It announced a further reduction in its bond purchases, while promising to maintain significant support for the economy in 2022. Purchases of securities under the Emergency Pandemic Purchasing Program (PEPP) launched in March 2020 will continue to decline in the coming months, ending entirely at the end of March 2022. Purchases under the APP (Asset Purchase Program) will double during the second quarter to €40 billion per month, before falling again to €30 billion in the third quarter and then €20 billion in the fourth quarter.

The Bank of England (BoE) unexpectedly raised its key rate by 15 bps to 0.25% at its monetary policy meeting in December. However, it is keeping its asset purchase program unchanged at £895 billion.

In this context of high inflation, bond yields have risen since the beginning of the year. At the end of December, the German ten-year sovereign bond yield rose by 39 bps over the year to -0.19%.

Driven by excellent corporate financial results and expectations of a return to inflation, the major stock market indices saw strong increases in 2021, as evidenced by the 21% increase in the Euro Stoxx 50. Credit spreads have been stable around levels close to the lows observed in 2019 and early 2020. In a context of low volatility and abundant liquidity, the IBOXX Corporate index stood at 61 bps at the end of December 2021 compared to 74 bps at the end of 2020 and 70 at the end of 2019.

5. REFINANCING

In the absence of growth in the commercial portfolio, funding needs remained modest and the Group took a number of initiatives to reduce its liquidity reserve, which had reached an all-time high at end-2020. In this context, RCI Banque did not issue on the bond market and sought to slow the growth in customer deposits, which nevertheless grew by €0.5 billion since December to reach €21.0 billion (representing a growth of +2.6% compared with +15% in 2020). To diversify its funding sources, in July the Group rolled out its savings business in the Netherlands through the fintech Raisin.

To prepare for the future, we renewed and upsized our retained securitization in Italy from €1.4 billion to €1.8 billion. We also set up a new private securitization program to refinance the residual values of finance leases in France. This program, which is currently used for a symbolic amount, can be increased and represents a potential new source of secure financing for the company. In the second half of 2021, a new public securitization program was set up in the United Kingdom. The £750 million of self-subscribed senior securities should be eligible for Bank of England long-term monetary policy operations, enabling RCI Bank UK to access the TFSME long-term refinancing program [(1)] and diversify its liquidity reserve. Lastly, RCI Banque arranged a public securitization backed by auto loans in Germany and issued €900 million in senior securities (including €200 million self-subscribed).

These resources, plus, on the Europe scope, €4.3 billion in undrawn confirmed bank lines, €3.3 billion in collateral eligible for ECB monetary policy operations, and EUR €6.6 billion in highly liquid assets (HQLA), allow RCI Banque to maintain the financing granted to its customers for over 12 months without access to external liquidity. At 31 December, 2021, RCI Banque's liquidity reserve (Europe scope) stood at €14.4 billion. This controlled reduction of €2.2 billion compared with the end of 2020 also enabled a reduction in the cost of carrying cash surpluses. The liquidity reserve nevertheless remains significantly above internal targets.

[(1)] Term Funding Scheme for Small and Medium-sized Enterprises (TFSME) was announced by the Bank of England (BoE) in March 2020.

6. REGULATORY REQUIREMENTS

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

At 31 December 2021, 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 12/2021
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

In millions of euros	Customer	Dealer financing	Other	Total 12/2020
Average performing loan outstandings	36 392	9 329		45 721
Net banking income	1 564	229	162	1 955
Gross operating income	1 117	180	58	1 355
Operating income	781	163	58	1 002
Pre-tax income	783	162	58	1 003

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

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

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

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

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

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

1.2 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	2021	40 832	34 551	6 281
	2020	42 965	34 448	8 517
of which Germany	*2021*	*7 809*	*6 828*	*981*
	2020	*8 361*	*7 002*	*1 359*
of which Spain	*2021*	*3 593*	*3 253*	*340*
	2020	*4 120*	*3 492*	*628*
of which France	*2021*	*15 319*	*12 359*	*2 960*
	2020	*15 993*	*12 262*	*3 731*
of which Italy	*2021*	*5 352*	*4 875*	*477*
	2020	*5 620*	*4 873*	*747*
of which United-Kingdom	*2021*	*4 371*	*3 936*	*435*
	2020	*4 116*	*3 440*	*676*
of which other countries (2)	*2021*	*4 388*	*3 300*	*1 088*
	2020	*4 755*	*3 379*	*1 376*
Africa - Middle East (3)	2021	496	384	112
	2020	503	407	96
Asia - Pacific	2021	1 414	1 409	5
	2020	1 569	1 566	3
of which South Korea	*2021*	*1 414*	*1 409*	*5*
	2020	*1 569*	*1 566*	*3*
America	2021	2 227	1 855	372
	2020	2 157	1 879	278
of which Argentina	*2021*	*166*	*94*	*72*
	2020	*123*	*75*	*48*
of which Brazil	*2021*	*1 475*	*1 201*	*274*
	2020	*1 498*	*1 311*	*187*
of which Colombia	*2021*	*586*	*560*	*26*
	2020	*536*	*493*	*43*
Eurasia (4)	2021	14	14	
	2020	1	1	
Total RCI Banque group	**2021**	**44 983**	**38 213**	**6 770**
	2020	**47 195**	**38 301**	**8 894**

(1) Including operating leases
(2) Belgium, Netherlands, Switzerland, Austria, Scandinavian countries, Poland, Czech Republic, Hungary, Slovenia; Ireland, Portugal.
(3) The "Africa, Middle East, India and Pacific" segment was split into "Africa-Middle East" and "Asia-Pacific" in 2021. These same changes were made to the 2020 comparison.
(4) Romania changed the segment from "Eurasia" to "Europe - including other countries" in 2021. This same change was made to the comparison in 2020.

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 : Caisse et Banques centrales

En millions d'euros	12/2021	12/2020
Caisse et Banques centrales	**6 729**	**7 289**
Caisse et Banques centrales	6 729	7 289
Créances à terme sur Banques centrales	**16**	**10**
Créances rattachées	16	10
Total des Caisse et Banques centrales	**6 745**	**7 299**

Note 3 : Derivatives

In millions of euros	12/2021		12/2020	
	Assets	Liabilities	Assets	Liabilities
Fair value of financial assets and liabilities recognized as derivatives held for trading purposes	**12**	**17**	**12**	**12**
Interest-rate derivatives	7	1	3	4
Currency derivatives	5	16	9	8
Fair value of financial assets and liabilities recognized as derivatives used for hedging	**135**	**27**	**218**	**72**
Interest-rate and currency derivatives: Fair value hedges	84	6	211	
Interest-rate derivatives: Cash flow hedges	51	21	7	72
Total derivatives	**147**	**44**	**230**	**84**

"Other derivatives" include the credit risk adjustment of -€0.03 million at 31 December 2021, broken down into income of +€0.11 million in respect of DVA and an expense of -€0.14 million in respect of the CVA.
The CVA/DVA adjustment covers the counterparty risk generated by the non-netted derivatives.

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

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

Changes in the cash flow hedging instrument revaluation reserve

In millions of euros	Cash flow hedging	Schedule for the transfer of the CFH reserve account to the income statement		
		<1 year	1 to 5 years	+5 years
Balance at 31 December 2019	**(20)**	**(3)**	**(17)**	
Changes in fair value recognized in equity	(8)			
Transfer to income statement	6			
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**	

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

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

Nominal values of derivative instruments by maturity and management intent

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2021	*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	

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2020	*Related parties*
Hedging of currency risk					
Forward forex contracts					
Sales	735			735	
Purchases	738			738	
Spot forex transactions					
Loans	1			1	
Borrowings	1			1	
Currency swaps					
Loans	64	216		280	
Borrowings	63	222		285	
Hedging of interest-rate risk					
Interest rate swaps					
Lender	7 165	12 806	2 150	22 121	
Borrower	7 165	12 806	2 150	22 121	

Note 4 : Financial assets

In millions of euros	12/2021	12/2020
Financial assets at fair value through other comprehensive income	**837**	**649**
Government debt securities and similar	713	404
Bonds and other fixed income securities	123	244
Interests in companies controlled but not consolidated	1	1
Financial assets at fair value through profit or loss	**137**	**219**
Variable income securities	30	25
Bonds and other fixed income securities	70	191
Interests in companies controlled but not consolidated	37	3
Total financial assets (*)	**974**	**868**
(*) Of which related parties	*8*	*4*

Equity investments in non-consolidated companies increased in value due to the acquisition of equity interests in non-consolidated companies.

- (Mobility Trader holding GmbH) HEYCAR, based in Germany, €30 million for a 5% stake,

and

- KADENSIS, €4 million for a 13.82% stake.

Note 5 : Amounts receivable at amortised cost from credit institutions

In millions of euros	12/2021	12/2020
Credit balances in sight accounts at credit institutions	**1 236**	**1 010**
Ordinary accounts in debit	1 175	968
Overnight loans	61	42
Term deposits at credit institutions	**58**	**222**
Term loans in bucket 1	58	162
Term loans in bucket 2		60
Total amounts receivable from credit institutions (*)	**1 294**	**1 232**
(*) Of which related parties		*60*

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 €909m at year-end 2021 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	12/2021	12/2020
Loans and advances to customers	**44 074**	**46 222**
Customer finance transactions	29 894	32 314
Finance lease transactions	14 180	13 908
Operating lease transactions	**1 344**	**1 418**
Total customer finance transactions and similar	**45 418**	**47 640**

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 €272 million at 31 December 2021, compared to €446 million at 31 December 2020. It was impaired in the amount of €80 million at 31 December 2021, compared with €78 million at December 31, 2020.

The share of restructuring related to Covid-19 amounted to €44.1 million, mainly for Customers and was subject to impairment for a total of €19.4 million (including € 14.8 million among the additional adjustments mentioned above).

6.1 - Customer finance transactions

In millions of euros	12/2021	12/2020
Loans and advances to customers	**29 985**	**32 530**
Healthy factoring	164	228
Factoring with a significant increase in credit risk since initial recognition	13	7
Other healthy commercial receivables	4	5
Other healthy customer credit	27 105	29 206
Other customer credit with a significant increase in credit risk since initial recognition	1 687	2 268
Healthy ordinary accounts in debit	339	337
Defaulted receivables	673	479
Interest receivable on customer loans and advances	**62**	**49**
Other non-defaulted customer credit	41	40
Non-defaulted ordinary accounts	17	5
Defaulted receivables	4	4
Total of items included in amortized cost - Customer loans and advances	**594**	**495**
Staggered handling charges and sundry expenses - Received from customers	(67)	(70)
Staggered contributions to sales incentives by manufacturer or dealers	(307)	(431)
Staggered fees paid for referral of business	968	996
Impairment on loans and advances to customers	**(747)**	**(760)**
Impairment on healthy receivables	(134)	(153)
Impairment on receivables with a significant increase in credit risk since initial recognition	(98)	(157)
Impairment on defaulted receivables	(409)	(359)
Impairment on residual value	(106)	(91)
Total customer finance transactions, net	**29 894**	**32 314**

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	12/2021	12/2020
Finance lease transactions	**14 334**	**14 141**
Other healthy customer credit	12 384	11 694
Other customer credit with a significant increase in credit risk since initial recognition	1 584	2 170
Defaulted receivables	366	277
Accrued interest on finance lease transactions	**7**	**20**
Other non-defaulted customer credit	6	19
Defaulted receivables	1	1
Total of items included in amortized cost - Finance leases	**116**	**47**
Staggered handling charges	49	62
Staggered contributions to sales incentives by manufacturer or dealers	(273)	(325)
Staggered fees paid for referral of business	340	310
Impairment on finance leases	**(277)**	**(300)**
Impairment on healthy receivables	(51)	(46)
Impairment on receivables with a significant increase in credit risk since initial recognition	(72)	(111)
Impairment on defaulted receivables	(153)	(142)
Impairment on residual value	(1)	(1)
Total finance lease transactions, net	**14 180**	**13 908**

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 12/2021
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

In millions of euros	< 1 year	1 year to 5 years	> 5 years	Total 12/2020
Finance leases - net investment	6 332	7 833	43	14 208
Finance leases - future interest receivable	417	393	4	814
Finance leases - gross investment	**6 749**	**8 226**	**47**	**15 022**
Amount of residual value guaranteed to RCI Banque group	4 083	4 558		8 641
Of which amount guaranteed by related parties	*2 680*	*2 233*		*4 913*
Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17)	4 069	5 993	47	10 109

6.3 - Operating lease transactions

In millions of euros	12/2021	12/2020
Fixed asset net value on operating lease transactions	**1 360**	**1 426**
Gross value of tangible assets	1 985	1 914
Depreciation of tangible assets	(625)	(488)
Receivables on operating lease transactions	**12**	**18**
Non-defaulted receivables	9	12
Defaulted receivables	9	9
Income and charges to be staggered	(6)	(3)
Impairment on operating leases	**(28)**	**(26)**
Impairment on defaulted receivables	(7)	(7)
Impairment on residual value	(21)	(19)
Total operating lease transactions, net (*)	**1 344**	**1 418**
(*) Of which related parties	*(1)*	*(1)*

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

In millions of euros	12/2021	12/2020
0-1 year	87	119
1-5 years	157	238
+5 years	429	73
Total	**673**	**430**

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 2021, the RCI Banque group's maximum aggregate exposure to credit risk stood at €58,532m against €60,209m at 31 December 2020. This exposure chiefly includes net loans outstanding from sales financing, sundry debtors, asset derivatives and irrevocable financing commitments on the RCI Banque group's off-balance sheet (see Note 23 Commitments received).

Amount of receivables due

In millions of euros	12/2021	of which non-defaulted (1)	12/2020	of which non-defaulted (1)
Between 0 and 90 days	570	324	608	381
Between 90 and 180 days	65		65	
Between 180 days and 1 year	59		49	
More than one year	52		67	
Receivables due	**746**	**324**	**789**	**381**

(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 2021, guarantees held on doubtful or delinquent receivables totaled €805m, against €866m at 31 December 2020.

6.5 - Residual values of risk carried by RCI Banque

The total risk on residual values carried by the RCI Banque group amounted to €2,110m at 31 December 2021 against €1,810m at 31 December 2020. A provision was made in the amount of €47 million at 31 December 2021 against €45 million at 31 December 2020 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 RCI Group on the resale of a vehicle.

Note 7 : Customer finance transactions by business segment

In millions of euros	Customer	Dealer financing	Other	Total 12/2021
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 initi	(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*

In millions of euros	Customer	Dealer financing	Other	Total 12/2020
Gross value	**39 272**	**9 007**	**447**	**48 726**
Healthy receivables	34 399	8 658	446	43 503
On % of total receivables	*87,6%*	*96,1%*	*99,8%*	*89,3%*
Receivables with a significant increase in credit risk since initial recognition	4 169	284		4 453
On % of total receivables	*10,6%*	*3,2%*		*9,1%*
Defaulted receivables	704	65	1	770
On % of total receivables	*1,8%*	*0,7%*	*0,2%*	*1,6%*
Impairment allowance	**(971)**	**(113)**	**(2)**	**(1 086)**
Impairment on healthy receivables	(245)	(63)	(2)	(310)
On % of total impairment	*25,2%*	*55,8%*	*100,0%*	*28,5%*
Impairment on receivables with a significant increase in credit risk since initi	(251)	(17)		(268)
On % of total impairment	*25,8%*	*15,0%*		*24,7%*
Impairment on defaulted receivables	(475)	(33)		(508)
On % of total impairment	*48,9%*	*29,2%*		*46,8%*
Coverage rate	***2,5%***	***1,3%***	***0,4%***	***2,2%***
Healthy receivables	*0,7%*	*0,7%*	*0,4%*	*0,7%*
Receivables with a significant increase in credit risk since initial recognition	*6,0%*	*6,0%*		*6,0%*
Defaulted receivables	*67,5%*	*50,8%*		*66,0%*
Net value (*)	**38 301**	**8 894**	**445**	**47 640**
(*) Of which: related parties (excluding participation in incentives and fees paid	*13*	*1 152*	*238*	*1 403*

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

With regard to retail activity, the 40.77% increase in B3 compared to 2020 is explained by the Group-wide move to the new definition of default during the year. The estimated B3 at the end of 2021, after neutralizing the outstandings classified as B3 in accordance with the new criteria, is down 11% compared to the end of 2020.

As a result, the provisioning rate observed in B3 was 54.5% compared to 67.5% at the end of the previous year.

It should be noted that we present credit quality information, i.e. information relating to credit risk exposure (illustrated by cross-referencing the internal rating classifications with the different bucket levels) by category of economic agent (customer segment: retail and corporate / wholesale segment: dealer) and by geographical area for financial assets, in the credit risk section of PILLAR 3 annual report.

Note 7.1 : Change of customer finance transactions

In millions of euros	12/2020	Increase (1)	Reclas. (2)	repayment	Write off	12/2021
Healthy receivables	43 503	56 876	(1 143)	(57 108)		42 128
Receivables with a significant increase in credit risk since	4 453		607	(1 771)		3 289
Defaulted receivables	770		536	(105)	(148)	1 053
Customer finance transactions (GV)	**48 726**	**56 876**		**(58 984)**	**(148)**	**46 470**

(1) Increase = New production

(2) Reclassification = Transfert beetwen buckets

Note 7.2 : Change of impairments of customer finance transactions

In millions of euros	12/2020	Increase (1)	Decrease (2)	Reclas. (3)	Variations (4)	Other (5)	12/2021
Impairment on healthy receivables (*)	310	132	(95)	(120)	75	11	313
Impairment on receivables with a significant inc	268	35	(45)	(69)	(18)	(1)	170
Impairment on defaulted receivables	508	74	(256)	189	56	(2)	569
Impairments of customer finance transacti	**1 086**	**241**	**(396)**		**113**	**8**	**1 052**

(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) are balance sheet changes only.

(*) Impairment on performing receivables includes impairments on residual values (vehicles and batteries) for an amount of €129 million as at 31 December 2021, compared to €111 million at 31 December 2020.

Note 8 : Adjustment accounts & miscellaneous assets

In millions of euros	12/2021	12/2020
Tax receivables	**312**	**353**
Current tax assets	21	26
Deferred tax assets	179	188
Tax receivables other than on current income tax	112	139
Adjustment accounts and other assets	**957**	**973**
Social Security and employee-related receivables	1	
Other sundry debtors	476	408
Adjustment accounts - Assets	63	57
Other assets	2	2
Items received on collections	310	361
Reinsurer part in technical provisions	105	145
Total adjustment accounts – Assets and other assets (*)	**1 269**	**1 326**
(*) Of which related parties	*169*	*220*

Deferred tax assets are analysed in note 32.

Note 9 : Investments in associates and joint ventures

In millions of euros	12/2021		12/2020	
	Share of net assets	Net income	Share of net assets	Net income
Orfin Finansman Anonim Sirketi	16	4	22	4
RN SF B.V.	94	13	76	13
Nissan Renault Financial Services India Private Limited	36	2	31	2
Total interests in associates	**146**	**19**	**129**	**19**

Note 10 : Tangible and intangible non-current assets

In millions of euros	12/2021	12/2020
Intangible assets: net	**11**	**7**
Gross value	48	41
Accumulated amortization and impairment	(37)	(34)
Property, plant and equipment: net	**28**	**34**
Gross value	126	127
Accumulated depreciation and impairment	(98)	(93)
Amortization right of use on rented asset: net	**55**	**42**
Gross value	92	58
Accumulated depreciation and impairment	(37)	(16)
Total tangible and intangible non-current assets	**94**	**83**

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

Note 11 : Goodwill

In millions of euros	12/2021	12/2020
Argentina		1
United Kingdom	37	34
Germany	12	12
Italy	9	9
South Korea	19	19
Czech Republic	4	4
Spain	68	
Total goodwill from acquisitions by country	**149**	**79**

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 2021.

Following the acquisition of Bipicar, the leading multi-brand platform for car subscription packages for used vehicles, goodwill of €68 million was recorded (see key events and section B). This amount could be review in 2022 following the Purchase Price Allocation.

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

12.1 - Central Banks

In millions of euros	12/2021	12/2020
Term borrowings	3 738	2 250
Total Central Banks	**3 738**	**2 250**

At 31 December 2021, the book value of the collateral presented to the Bank of France (3G) amounted to €7,111m, that means €6,628m in securities issued by securitization vehicles, €3m in eligible bond securities, and €480m 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 maximum interest rate applicable to these financings is calculated on the basis of the average European Central Bank Main Refinancing Operations (MRO) rate, currently 0% less a margin of 0.50%. This rate is subsidized according to credit growth criteria.

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 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.

Based on its predictions to date, the Group has not incorporated into its estimates achievement of the lending targets over the additional special reference period. As a result, the changes in the interest rate conditions decided in the European Central Bank’s decision of 29 January 2021 had no impact on the estimated future debt flows and therefore had no effect on the recognition of drawdowns.

The rate applicable for the period June 2021 - June 2022 could still be subsidized if the lending targets over the additional special reference period are met. Pursuant to the current provisions of IFRS9, the impact of this subsidy, if achieved, would be recognized as an adjustment to the value of the debt in accordance with paragraph B5.4.6.

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 maximum interest rate applicable to this financing over the period is 0.35% and is calculated on the basis of the Bank of England base rate (0.25% at 31 December 2021) with a 0.25% margin.

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	12/2021	12/2020
Sight accounts payable to credit institutions	**260**	**188**
Ordinary accounts	16	12
Overnight borrowings		4
Other amounts owed	244	172
Term accounts payable to credit institutions	**1 737**	**2 114**
Term borrowings	1 669	2 041
Accrued interest	68	73
Total liabilities to credit institutions	**1 997**	**2 302**

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	12/2021	12/2020
Amounts payable to customers	**21 928**	**21 415**
Ordinary accounts in credit	202	225
Term accounts in credit	723	703
Ordinary saving accounts	15 715	14 703
Term deposits (retail)	5 288	5 784
Other amounts payable to customers and accrued interest	**102**	**125**
Other amounts payable to customers	65	86
Accrued interest on ordinary accounts in credit	21	18
Accrued interest on ordinary saving accounts	8	11
Accrued interest on customers term accounts	8	10
Total amounts payable to customers (*)	**22 030**	**21 540**
(*) Of which related parties	*740*	*769*

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

RCI Banque launched its savings business in France in 2012, in Germany in February 2013, in Austria in April 2014, in the United Kingdom in June 2015, in Brazil in March 2019 and Spain in November 2020 marketing both savings accounts and term deposit accounts. In July 2021 RCI Banque initiated a partnership with a Raisin, a German fintech, to offer savings accounts in the Netherlands via the raisin.nl platform.

12.4 - Debt securities

In millions of euros	12/2021	12/2020
Negotiable debt securities (1)	**1 063**	**1 172**
Certificates of deposit	1 050	944
French MTNs and similar		220
Accrued interest on negotiable debt securities	13	8
Other debt securities (2)	**3 097**	**3 259**
Other debt securities	3 095	3 258
Accrued interest on other debt securities	2	1
Bonds and similar	**13 811**	**17 560**
Bonds	13 695	17 439
Accrued interest on bonds	116	121
Total debt securities	**17 971**	**21 991**

(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), Brazilian (Corretora de Seguros S.A), French (Diac S.A.) and Italian (RCI Banque Succursale Italiana) securitization offerings.

12.5 - Breakdown of liabilities by valuation method

In millions of euros	12/2021	12/2020
Liabilities valued at amortized cost - Excluding fair value hedge	**39 827**	**39 339**
Central Banks	3 738	2 250
Amounts payable to credit institutions	1 997	2 302
Amounts payable to customers	22 030	21 540
Debt securities	12 062	13 247
Liabilities valued at amortized cost - Fair value hedge	**5 909**	**8 744**
Debt securities	5 909	8 744
Total financial debts	**45 736**	**48 083**

12.6 - Breakdown of financial liabilities by rate type before derivatives

In millions of euros	Variable	Fixed	12/2021
Central Banks	3 738		3 738
Amounts payable to credit institutions	697	1 300	1 997
Amounts payable to customers	16 372	5 658	22 030
Negotiable debt securities	236	827	1 063
Other debt securities	2 855	242	3 097
Bonds	3 240	10 571	13 811
Total financial liabilities by rate	**27 138**	**18 598**	**45 736**

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	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 Bank UK
Securitized collateral	Auto loans to customers	Auto loans to customers	Receivables independant dealers	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
Issuer	CARS Alliance Auto Loans France FCT Master	CARS Alliance Auto Loans France V 2018-1	FCT Cars Alliance DFP France	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 UK Master Plc
Closing date	May 2012	April 2018	July 2013	October 2020	October 2020	July 2015	March 2014	October 2021	July 2017	May 2019	October 2021
Legal maturity date	August 2030	October 2029	July 2028	October 2036	October 2038	December 2031	March 2031	June 2034	June 2026	August 2031	September 2032
Initial purchase of receivables	715M€	799M€	1 020 M€	1 057 M€	533 M€	1 234 M€	674 M€	1 009 M€	852 M€	1 107 M€	1249M€
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 8%	Cash reserve for 1% Over-collateralization of receivables 12.5%	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 28%
Receivables purchased as of 31	1 268 M€	154 M€	1 271 M€	968 M€	636 M€	2 064 M€	1 263 M€	1 005 M€	512 M€	559 M€	1 257 M€
Notes in issue as at 31 December 2021 (including any units held by the RCI Banque group)	Class A Rating : AAA 1 126 M€	Class A Rating : AAA 98 M€	Class A Rating : AA 1 000 M€	Class A Rating : AAA 950 M€	Class A Rating : AAA 610 M€	Class A Rating : AA 1835M€	Class A Rating : AAA 1 110 M€	Class A Rating : AAA 900M€	Class A Rating : AAA 540M€	Class A Rating : AAA 476 M€	Classe A Rating : AA 893 M€
		Class B Rating : AA 23M€		Class B Rating : AA 42 M€				Class B Rating : AA 24 M€		Class B Rating : AA 26 M€	
	Classe B Non rated 173 M€	Class C Non rated 38M€		Class C Non rated 53 M€	Class B Non rated 76 M€	Class J Non rated 296 M€	Class B Non rated 97 M€	Class C Non rated 49 M€		Class C Non rated 51 M€	Classe B Non rated 345M€
Period	Revolving	Amortizing	Revolving	Revolving	Revolving	Revolving	Revolving	Revolving	Revolving	Amortizing	Revolving
Transaction's nature	Retained	Market	Retained	Market	Retained	Retained	Retained	Market	Retained	Market	Retained

In 2021, the RCI Banque group carried out securitization transactions in public format in Germany and in the United Kingdom by means of special purpose vehicles.

The French subsidiary DIAC has set up a new private securitization program ("Cars Alliance Auto Leases France RV MASTER" sub-fund) to refinance the residual values of Leases with Purchase Options (LOA) originated by DIAC.

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 2021, the amount of financing obtained through securitization by conduit totaled €984m. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €2,514m.

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 2021, the amount of the sales financing receivables thus maintained on the balance sheet totaled €12,589m (€11,790m at 31 December 2020), as follows:
- Securitization transactions placed on the market: €2,686m
- Retained securitization transactions: €8,271m

- Private securitization transactions: €1,633m

The fair value of these receivables is €12,541m at 31 December 2021.

Liabilities of €3,098m have been booked under "Other debt securities" corresponding to the securities issued during securitization transactions. The fair value of these liabilities is €3,113m at 31 December 2021.

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

Note 14 : Adjustment accounts & miscellaneous liabilities

In millions of euros	**12/2021**	**12/2020**
Taxes payable	**827**	**754**
Current tax liabilities	136	143
Deferred tax liabilities	670	587
Taxes payable other than on current income tax	21	24
Adjustment accounts and other amounts payable	**1 916**	**2 151**
Social security and employee-related liabilities	61	58
Other sundry creditors	857	923
Debt on rented asset	58	45
Adjustment accounts - liabilities	569	586
Accrued interest on other sundry creditors	366	454
Collection accounts	5	85
Total adjustment accounts - Liabilities and other liabilities (*)	**2 743**	**2 905**
(*) Of which related parties	*212*	*247*

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	12/2020	Charge	Reversals		Other (*)	12/2021
			Used	Not Used		
Provisions on banking operations	**506**	**299**	**(47)**	**(287)**	**5**	**476**
Provisions for signature commitments	12	15	(1)	(20)	2	8
Provisions for litigation risks	7	2		(2)	(1)	6
Insurance technical provisions	461	272	(44)	(255)	2	436
Other provisions	26	10	(2)	(10)	2	26
Provisions on non-banking operations	**145**	**10**	**(21)**	**(1)**	**(11)**	**122**
Provisions for pensions liabilities and related	66	5	(10)		(10)	51
Provisions for restructuring	22	3	(9)		(1)	15
Provisions for tax and litigation risks	53	2	(2)	(1)	1	53
Other	4				(1)	3
Total provisions	**651**	**309**	**(68)**	**(288)**	**(6)**	**598**

(*) Other = Reclassification, currency translation effects, changes in scope of consolidation
(**) Provisions for signature commitments = Mainly financing commitments

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

The group's companies are periodically 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. At this stage of the procedure, no tax risk has been identified under IFRIC 23.

Other provisions on banking operations mainly consist of the insurance technical provision for captive insurance company commitments towards policy holders and beneficiaries. The insurance technical provision came to €436m at end-December 2021.

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

The remaining provisions 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.

<u>Key assumptions</u>

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	12/2021	12/2020
France	32	41
Rest of world	19	25
Total provisions	**51**	**66**

Subsidiaries without a pension fund

Main actuarial assumptions	France	
	12/2021	12/2020
Retirement age	67 years	67 years
Salary increases	1,82%	2,20%
Financial discount rate	0,92%	0,60%
Starting rate	7,24%	6,53%

Subsidiaries with a pension fund

Main actuarial assumptions	United Kingdom		Switzerland		Netherlands	
	12/2021	12/2020	12/2021	12/2020	12/2021	12/2020
Average duration	20 years	21 years	20 years	23 years	21 years	21 years
Rate of wage indexation			1,00%	1,00%	1,00%	1,00%
Financial discount rate	1,90%	1,40%	0,50%	0,30%	0,80%	0,80%
Actual return rate of hedge assets	9,30%	7,84%	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	**118**	**52**		**66**
Current service cost	(3)			(3)
Net interest on the net liability (asset)	1			1
Expense (income) recorded in the income statement	**(2)**			**(2)**
Actuarial gains and losses on the obligation resulting from changes in financial assumptions	(4)			(4)
Net return on fund asset (not included in net interest above)		3		(3)
Actuarial gains and losses on the obligation resulting from experience adjustmer	(4)			(4)
Expense (income) recorded in Other components of comprehensive incon	**(8)**	**3**		**(11)**
Employer's contributions to funds		1		(1)
Benefits paid	(4)	(1)		(3)
Effect of changes in exchange rates	6	4		2
Balance at the closing date of the period	**110**	**59**		**51**

Nature of invested funds

In millions of euros	12/2021		12/2020	
	Quoted on an active market	Not quoted on an active market	Quoted on an active market	Not quoted on an active market
Shares	18		18	
Bonds	35		30	
Others	6		4	
Total	**59**		**52**	

Note 16 : Impairments allowances to cover counterparty risk

In millions of euros	12/2020	Charge	Reversals		Other (*)	12/2021
			Used	Not Used		
Impairments on banking operations	**1 086**	**582**	**(476)**	**(148)**	**8**	**1 052**
Customer finance transactions	1 086	582	(476)	(148)	8	1 052
Ow impairment on healthy receivables	*310*	*208*	*(142)*	*(74)*	*11*	*313*
Ow impairment on receivables with a significant increase in credit risk	*268*	*104*	*(151)*	*(50)*	*(1)*	*170*
Ow Impairment on defaulted receivables	*508*	*270*	*(183)*	*(24)*	*(2)*	*569*
Impairment on non-banking operations	**3**	**1**	**(1)**	**(1)**	**1**	**3**
Impairment for signature commitments	3	1	(1)	(1)	1	3
Impairment on banking operations	**19**	**17**	**(1)**	**(22)**	**1**	**14**
Provisions for signature commitments	12	15	(1)	(20)	2	8
Provisions for litigation risks	7	2		(2)	(1)	6
Total provisions to cover counterparty risk	**1 108**	**600**	**(478)**	**(171)**	**10**	**1 069**

(*) 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	12/2021	12/2020
Liabilities measured at amortized cost	**876**	**876**
Subordinated securities	856	856
Accrued interest on subordinated securities	20	20
Hedged liabilities measured at fair value	**17**	**14**
Participating loan stocks	17	14
Total subordinated liabilities	**893**	**890**

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 12/2021
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

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2020
Financial assets	**17 632**	**14 896**	**22 577**	**746**	**55 851**
Cash and balances at central banks	7 296	2	1		7 299
Derivatives	18	9	106	97	230
Financial assets	164	329	167	208	868
Amounts receivable from credit institutions	1 172	60			1 232
Loans and advances to customers	8 982	14 496	22 303	441	46 222
Financial liabilities	**18 529**	**6 947**	**19 775**	**3 806**	**49 057**
Central Banks	500		1 750		2 250
Derivatives	3	31	50		84
Amounts payable to credit institutions	421	826	1 055		2 302
Amounts payable to customers	16 080	1 726	3 034	700	21 540
Debt securities	1 506	4 363	13 886	2 236	21 991
Subordinated debt	19	1		870	890

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

Note 19 : Breakdown of future contractual cash flows by maturity

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2021
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**

In millions of euros	Up to 3 months	3 months to 1 year	1 year to 5 years	> 5 years	Total 12/2020
Financial liabilities	**18 409**	**7 035**	**20 206**	**3 845**	**49 495**
Central Banks	500		1 750		2 250
Derivatives	1	8	16		25
Amounts payable to credit institutions	406	768	1 055		2 229
Amounts payable to customers	16 051	1 718	3 034	700	21 503
Debt securities	1 317	4 292	13 869	2 236	21 714
Subordinated debt	19			865	884
Future interest payable	115	249	482	44	890
Financing and guarantee commitments	**2 329**	**76**	**30**	**129**	**2 564**
Total breakdown of future contractual cash flows by maturity	**20 738**	**7 111**	**20 236**	**3 974**	**52 059**

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 2021.

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 - 31/12/2021	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

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 - 31/12/2020	Book Value	Fair Value				Gap (*)
		Level 1	Level 2	Level 3	FV (*)	
Financial assets	**55 851**	**864**	**8 761**	**46 051**	**55 676**	**(175)**
Cash and balances at central banks	7 299		7 299		7 299	
Derivatives	230		230		230	
Financial assets	868	864		4	868	
Amounts receivable from credit institutions	1 232		1 232		1 232	
Loans and advances to customers	46 222			46 047	46 047	(175)
Financial liabilities	**49 057**	**14**	**48 753**		**48 767**	**290**
Central Banks	2 250		2 213		2 213	37
Derivatives	84		84		84	
Amounts payable to credit institutions	2 302		2 407		2 407	(105)
Amounts payable to customers	21 540		21 540		21 540	
Debt securities	21 991		21 765		21 765	226
Subordinated debt	890	14	744		758	132

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

Assumptions and methods used:

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

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

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

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

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

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

The main assumptions and valuation methods used are the following:

• Financial assets

Fixed-rate loans have been estimated by discounting future cash flows at the interest rates offered by RCI Banque at 31 December 2020 and at 31 December 2021 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 2020 and at 31 December 2021.

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

• Financial liabilities

Fair value of financial liabilities has been estimated by discounting future cash flows at the interest rates offered to RCI Banque at 31 December 2020 and 31 December 2021 for borrowings with similar conditions and maturities. Projected cash flows are therefore discounted according to the zero-coupon yield curve, augmented by the spread specific to RCI Banque for issues on the secondary market against 3 months.

Note 21 : Netting agreements and other similar commitments

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

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

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

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

Synthesis of financial assets and liabilities agreements

In millions of euros - 31/12/2021	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 12.3), 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.

In millions of euros - 31/12/2020	Gross book value before agreement	Netted gross amounts	Net amount in balance sheet	Non compensated amount			Net Exposure
				Financial instruments on the liability	Guarantees on the liability	Off-balance sheet guarantees	
Assets	**1 461**		**1 461**	**26**	**805**		**630**
Derivatives	230		230	26			204
Network financing receivables (1)	1 231		1 231		805		426
Liabilities	**84**		**84**	**26**			**58**
Derivatives	84		84	26			58

(1) The gross book value of dealer financing receivables breaks down into €1,038m for the Renault Retail Group, whose exposures are hedged for up to €696m by a cash warrant agreement given by the Renault manufacturer (see note 12.3), and €193m for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €110m by pledge of *letras de cambio* (bills of exchange) subscribed by the dealers.

Note 22 : Commitments given

In millions of euros	12/2021	12/2020
Financing commitments	**3 400**	**2 420**
Commitments to credit institutions		1
Commitments to customers	3 400	2 419
Guarantee commitments	**29**	**193**
Commitments to credit institutions	27	26
Customer guarantees	2	167
Other commitments given	**58**	**23**
Commitments given for equipment leases and real estate leases	58	23
Total commitments given (*)	**3 487**	**2 636**
(*) Of which related parties	*2*	*7*

Note 23 : Commitments received

In millions of euros	12/2021	12/2020
Financing commitments	**4 608**	**4 811**
Commitments from credit institutions	4 608	4 811
Guarantee commitments	**17 146**	**16 355**
Guarantees received from credit institutions	159	167
Guarantees from customers	6 150	6 058
Commitments to take back leased vehicles at the end of the contract	10 837	10 130
Other commitments received	**52**	**16**
Other commitments received	52	16
Total commitments received (*)	**21 806**	**21 182**
(*) Of which related parties	*5 726*	*5 558*

At 31 December 2021, RCI Banque had €4,608 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €3,317 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 RCI Banque group thus actively and rigorously manages its sureties, among other things by diversifying them: credit insurance, personal and other guarantees.

Note 24 : Exposure to currency risk

In millions of euros - 12/2021	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**

In millions of euros - 12/2020	Balance sheet		Off balance sheet		Net position		
	Long position	Short position	Long position	Short position	Total	Of which monetary	Of which structural
Position GBP	265		58		323		323
Position CHF	227			(223)	4		4
Position CZK	34			(18)	16		16
Position ARS	5				5		5
Position BRL	103				103	1	102
Position PLN	402			(390)	12		12
Position HUF	5				5		5
Position RON	2				2	2	
Position KRW	160				160		160
Position MAD	30				30	3	27
Position DKK	45			(45)			
Position TRY	9				9		9
Position SEK	77			(77)			
Position INR	24				24		24
Position COP	29				29		29
Total exposure	**1 417**		**58**	**(753)**	**722**	**6**	**716**

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

Note 25 : Interest and similar income

In millions of euros	12/2021	12/2020
Interests ans similar incomes	**2 604**	**2 728**
Transactions with credit institutions	36	24
Customer finance transactions	1 811	1 957
Finance lease transactions	661	675
Accrued interest due and payable on hedging instruments	74	60
Accrued interest due and payable on Financial assets	22	12
Staggered fees paid for referral of business:	**(838)**	**(800)**
Customer Loans	(639)	(619)
Finance leases	(199)	(181)
Total interests and similar income (*)	**1 766**	**1 928**
(*) Of which related parties	*575*	*661*

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	12/2021	12/2020
Transactions with credit institutions	(194)	(196)
Customer finance transactions	(94)	(119)
Finance lease transactions	(8)	(6)
Accrued interest due and payable on hedging instruments	(43)	(51)
Expenses on debt securities	(248)	(260)
Other interest and similar expenses	(12)	(11)
Total interest and similar expenses	**(599)**	**(643)**

Note 27 : Fees and commissions

In millions of euros	12/2021	12/2020
Fees and commissions income	**639**	**609**
Commissions	20	20
Fees	16	17
Commissions from service activities	111	82
Insurance brokerage commission	54	57
Incidental insurance commissions from finance contracts	236	230
Incidental maintenance commissions from finance contracts	138	136
Other incidental commissions from finance contracts	64	67
Fees and commissions expenses	**(282)**	**(250)**
Commissions	(29)	(26)
Commissions on service activities	(83)	(64)
Incidental insurance commissions from finance contracts	(35)	(31)
Incidental maintenance commissions from finance contracts	(98)	(86)
Other incidental commissions from finance contracts	(37)	(43)
Total net commissions (*)	**357**	**359**
(*) Of which related parties	*9*	*13*

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	12/2021	12/2020
Net gains (losses) on derivatives classified as transactions in trading securities	**4**	**1**
Net gains / losses on forex transactions	12	(9)
Net gains / losses on derivatives classified in trading securities	(1)	5
Net gains and losses on equity securities at fair value	(3)	1
Fair value hedges : change in value of hedging instruments	(128)	52
Fair value hedges : change in value of hedged items	124	(49)
Net gains / losses on financial assets designated at fair value through profit or loss		1
Financial assets designated at fair value through profit or loss	**4**	**6**
Dividends from non-consolidated holdings	8	8
Gains and losses on assets at fair value through profit and loss	(4)	(2)
Total net gains or losses on financial instruments at fair value (*)	**8**	**7**
(*) Of which related parties	*8*	*8*

Interest income on financial assets measured at amortized cost and at fair value through recyclable equity is not material at the end of December 2021.

Note 29 : Net income or expense of other activities

In millions of euros	12/2021	12/2020
Other income from banking operations	**1 072**	**1 027**
Income from insurance activities	415	432
Income related to non-doubtful lease contracts	363	331
of which reversal of impairment on residual values	*106*	*65*
Income from operating lease transactions	267	243
Other income from banking operations	27	21
of which reversal of charge to reserve for banking risks	*12*	*6*
Other expenses of banking operations	**(776)**	**(726)**
Cost of insurance activities	(113)	(126)
Expenses related to non-doubtful lease contracts	(317)	(307)
of which allowance for impairment on residual values	*(114)*	*(74)*
Distribution costs not treatable as interest expense	(98)	(86)
Expenses related to operating lease transactions	(201)	(180)
Other expenses of banking operations	(47)	(27)
of which charge to reserve for banking risks	*(10)*	*(9)*
Other operating income and expenses		**3**
Other operating income	19	12
Other operating expenses	(19)	(9)
Total net income (expense) of other activities (*)	**296**	**304**
(*) Of which related parties	*(3)*	*(4)*

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	12/2021	12/2020
Gross premiums issued	360	354
Net charge of provisions for technical provisions	26	26
Claims paid	(44)	(34)
Claims recovered from reinsurers	12	12
Others reinsurance charges and incomes	(50)	(48)
Total net income of insurance activities	**304**	**310**

Note 30 : General operating expenses and personnal costs

In millions of euros	12/2021	12/2020
Personnel costs	**(305)**	**(309)**
Employee pay	(206)	(200)
Expenses of post-retirement benefits - Defined-contribution pension plan	(19)	(17)
Expenses of post-retirement benefits - Defined-benefit pension plan	6	1
Other employee-related expenses	(72)	(67)
Other personnel expenses	(14)	(26)
Other administrative expenses	**(251)**	**(272)**
Taxes other than current income tax	(48)	(43)
Rental charges	(9)	(8)
Other administrative expenses	(194)	(221)
Total general operating expenses (*)	**(556)**	**(581)**
(*) Of which related parties	*(1)*	*2*

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.

Average number of employees	12/2021	12/2020
Sales financing operations and services in France	1 750	1 689
Sales financing operations and services in other countries	2 099	2 046
Total RCI Banque group	**3 849**	**3 735**

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks totaling -€6 million as at December 31, 2021 compared to €15 million as at December 31, 2020.

Note 31 : Cost of risk by customer category

In millions of euros	12/2021	12/2020
Cost of risk on customer financing	**(98)**	**(335)**
Impairment allowances	(448)	(582)
Reversal of impairment	465	353
Losses on receivables written off	(145)	(136)
Amounts recovered on loans written off	30	30
Cost of risk on dealer financing	**37**	**(18)**
Impairment allowances	(28)	(76)
Reversal of impairment	67	60
Losses on receivables written off	(2)	(2)
Other cost of risk	**(1)**	
Change in allowance for impairment of other receivables		
Other valuation adjustments	(1)	
Total cost of risk (*)	**(62)**	**(353)**

(*) Of which related parties

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

The cost of risk for the Retail activity (private and corporate financing) improved in 2021:

- Net losses on irrecoverable loans were €115 m million, an increase of €9 million;
- Impairment on non-performing outstandings (B3) remained almost stable (a slight decrease of €3 million);
- A €82 million reversal of write-downs on performing outstandings (including a charge of €38 million for appraisal provisions (vulnerable customers, fraud, non-model adjustments), reversal of €123 million due to improved PD / LGD parameters and the transition between outstandings categories B1 / B2 / B3, allocation of €3 million as Forward Looking).

Thus, these positives developments had a knock-on effect on net provisions, which were a reversal of €17 million in 2021 compared to a provision of €229 million in 2020.

In the Dealer network activity (dealer financing), the cost of risk is primarily linked to a €25 million fall in net provisions, mainly as a result of the reduction in vehicle inventories in the dealer network due to the semiconductor crisis. To this amount for the year 2021 is added a reversal of €14.5 million related to the update of macro-economic forecasts as part of the IFRS 9 forward-looking provisioning.

Note 32 : Income tax

In millions of euros	12/2021	12/2020
Current tax expense	**(266)**	**(241)**
Current tax expense	(266)	(241)
Deferred taxes	**(62)**	**35**
Income (expense) of deferred taxes, gross	(62)	34
Change in allowance for impairment of deferred tax assets		1
Total income tax	**(328)**	**(206)**

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 -€8 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 2021, takes into account tax income of €56 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 2020 (i.e. 6/7 of €65 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.

Since 2016, the group's effective tax rate includes the effect of the reduction in the rate of corporation tax provided for in the French Finance Act. At the end of December 2021, this impact generated a deferred income tax loss of -€31 million.

Breakdown of net deferred taxes by major category

In millions of euros	12/2021	12/2020
Provisions	54	73
Provisions and other charges deductible when paid	(6)	30
Tax loss carryforwards	108	143
Other assets and liabilities	61	101
Lease transactions	(702)	(744)
Non-current assets	3	2
Impairment allowance on deferred tax assets	(9)	(4)
Total net deferred tax asset (liability)	**(491)**	**(399)**

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	2021 change in equity			2020 change in equity		
	Before tax	Tax	Net	Before tax	Tax	Net
Unrealised P&L on cash flow hedge instruments	70	(23)	47	(1)	1	
Unrealised P&L on financial assets	(4)	1	(3)			
Actuarial differences	10	(2)	8	(5)	1	(4)
Exchange differences	53		53	(159)		(159)

Note 33 : Events after the end of the reporting period

On 9 January 2019, the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*) fined RCI Banque €125 million. The Group challenged the basis of this fine and no provision booked. On 3 February 2022, the Group won its case, settling the matter once and for all. No other post -closing event has been recorded.

GROUP SUBSIDIARIES AND BRANCHES

A) List of consolidated companies and foreign branches

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2021	2020
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					
SOCIETES INTEGREES GLOBALEMENT :						
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 Financial Services Korea Co, Ltd	South Korea	100			100	100
Overlease S.A.	Spain	100			100	100
Bipi Mobility SL *	Spain	100			100	0
Diac S.A.	France	100			100	100
Diac Location S.A.	France	-	100	Diac S.A.	100	100
Bipi Mobility France *	France	100			100	0
RCI ZRT	Hungary	100			100	100
ES Mobility SRL	Italy	100			100	100
Bipi Mobility Italy S.R.L *	Italy	100			100	0
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
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

	Country	Direct interest of RCI	Indirect interest of RCI		% interest	
			%	Held by	2021	2020
RCI Financial Services s.r.o.	Czech Republic	50			50	50
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
RNL Leasing	Russia	100			100	100
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 France V 2018-1	France		(cf note 13)	Diac S.A.		
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 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		
SOCIETES MISES EN EQUIVALENCE :						
RN SF B.V.	Netherlands	50			50	50
BARN B.V.	Netherlands	-	60	RN SF B.V.	30	30
RN Bank	Russia	-	100	BARN B.V.	30	30
Orfin Finansman Anonim Sirketi	Turkey	50			50	50
Renault Crédit Car	Belgium	-	50,10	AUTOFIN	50,10	50,10
Nissan Renault Financial Services India Private Ltd	India	30			30	30

***** Entities added to the scope in 2021 - ** Entities added to the scope in 2020

B) Subsidiaries in which non-controlling interests are significant

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**

Percentages of voting rights are identical.
The amount of debt for puts on minority interests for the Brazilian entity, Banco RCI Brasil S.A. is included under "Other liabilities" for €102m at 31 December 2021, against €100m at 31 December 2020.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €4m at 31 December 2021, against €4m at 31 December 2020.

The amount of debt for puts on minority interests for RCI Colombia S.A. is included under "Other liabilities" for €63m at 31 December 2021, against 61 at 31 December 2020.

In millions of euros - 31/12/2020 - 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	2	(1)	8	2
Equity: Investments in associates and joint ventures	12		(1)	
Dividends paid to non controlling interests (minority shareholders)	2		8	
Cash, due from banks	10	7	137	17
Net outstandings customers loans and lease financings	123	75	1 428	537
Other assets	6	3	148	15
Total assets	**139**	**85**	**1 713**	**569**
Due to banks, customer deposits and debt securities issued	112	68	1 440	486
Other liabilities	3	10	73	8
Net Equity	24	7	200	75
Total liabilities	**139**	**85**	**1 713**	**569**
Net banking income	**9**	**4**	**97**	**32**
Income tax	(1)		(8)	(1)
Net income	4	(3)	21	4
Other components of comprehensive income			(10)	
Total comprehensive income	**4**	**(3)**	**11**	**4**
Net cash generated by operating activities	11		(50)	9
Net cash generated by financing activities	(10)		(38)	
Net cash generated by investing activities			(1)	(2)
Net increase/(decrease) in cash and cash equivalents	**1**		**(89)**	**7**

C) Significant associates and joint ventures

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)**

In millions of euros - 31/12/2020 - 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	76	22	31
Dividends received from associates and joint ventures			
Cash, due from banks	84	15	8
Net outstandings customers loans and lease financings	997	414	328
Other assets	70	6	28
Total assets	**1 151**	**435**	**364**
Due to banks, customer deposits and debt securities issued	883	378	198
Other liabilities	17	14	62
Net Equity	251	43	104
Total liabilities	**1 151**	**435**	**364**
Net banking income	**75**	**16**	**18**
Income tax	(11)	(3)	(2)
Net income	42	8	6
Other components of comprehensive income			
Total comprehensive income	**42**	**8**	**6**
Net cash generated by operating activities	15	(11)	170
Net cash generated by financing activities			
Net cash generated by investing activities			
Net increase/(decrease) in cash and cash equivalents	**15**	**(11)**	**170**

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 - 31/12/2021

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	418	132,9	95,4	(36,0)	(38,0)	
Germany	RCI Banque S.A. Niederlassung Deutschland	Financing	365	226,6	142,9	(32,6)	(12,1)	
	RCI Versicherungs-Service GmbH	Services						
Argentina	RCI Banque Sucursal Argentina	Financing	54	41,4	17,9	(6,6)	(0,3)	
	Rombo Compania Financiera S.A.	Financing						
	Courtage S.A.	Services						
Austria	RCI Banque S.A. Niederlassung Österreich	Financing	53	25,9	14,5	(1,7)	(1,9)	
Belgium	RCI Financial Services S.A.	Financing	28	16,5	12,8	(2,6)	(0,1)	
	Autofin S.A.	Financing						
	Renault Crédit Car S.A.	Financing						
Brazil	Administradora de Consórcio RCI Brasil Ltda	Financing	164	97,8	50,5	(26,6)	7,2	
	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	84	41,7	23,0	(7,7)	0,9	
	RCI Servicios Colombia S.A.	Financing						
South Korea	RCI Financial Services Korea Co. Ltd	Financing	111	61,3	39,4	(11,4)	1,8	
Spain	Rci Banque S.A. Sucursal En España	Financing	336	112,3	57,2	(16,4)	(0,8)	
	Overlease S.A.	Financing						
	Bipi Mobility SL	Services						
France	Diac S.A.	Financing	1 100	373,9	186,3	(40,3)	(15,4)	
	Diac Location S.A.	Financing						
	Bipi Mobility France	Services						
Hungary	RCI Zrt	Financing	6	2,8	2,9	(0,1)	(0,1)	
India	Nissan Renault Financial Services India Private Limited	Financing	118		2,3			
Ireland	RCI Banque, Branch Ireland	Financing	30	14,4	8,6	(1,1)		
Italy	RCI Banque S.A. Succursale Italiana	Financing	222	173,5	115,8	(39,1)	(0,9)	
	ES Mobility S.R.L.	Financing						
	Bipi Mobility Italy S.R.L	Services						
Malta	RCI Services Ltd	Holding	29	178,4	171,4	(6,2)	1,8	
	RCI Insurance Ltd	Services						
	RCI Life Ltd	Services						
Morocco	RCI Finance Maroc S.A.	Financing	50	25,9	7,8	(3,8)	0,7	
	RDFM S.A.R.L	Services						
Netherlands	RCI Financial Services B.V.	Financing	46	22,4	16,3	(4,2)	0,2	
Poland	RCI Banque Spólka Akcyjna Oddzial w Polsce	Financing	63	31,7	23,1	(0,8)	(5,1)	
	RCI Leasing Polska Sp. z o.o.	Financing						
Portugal	RCI Banque S.A. Sucursal Portugal	Financing	38	11,3	9,0	0,8	(0,9)	
	RCI COM SA	Financing						
	RCI Gest Seguros - Mediadores de Seguros Lda	Services						
Czech Rep	RCI Finance C.Z., S.r.o.	Financing	21	10,6	6,9	(1,5)	0,2	
	RCI Financial Services, S.r.o.	Financing						
Romania	RCI Finantare Romania S.r.l.	Financing	64	22,0	15,2	(2,5)		
	RCI Broker de asigurare S.R.L.	Services						
	RCI Leasing Romania IFN S.A.	Financing						
United Kingdom	RCI Financial Services Ltd	Financing	289	158,2	132,7	(19,7)	0,6	
	RCI Bank UK	Financing						
Russia	RNL Leasing	Financing	281	0,3	10,4		0,3	
	Sub group RNSF BV, BARN BV and RN Bank	Financing						
Slovenia	RCI BANQUE S.A. Bančna podružnica Ljubljana	Financing	36	9,7	6,0	(1,5)		
Sweden	Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike	Financing	19	9,9	6,0	(0,9)	(0,2)	
Switzerland	RCI Finance S.A.	Financing	48	26,5	15,6	(3,5)	0,1	
Turkey	ORFIN Finansman Anonim Sirketi	Financing	55		4,5			
TOTAL			**4 128**	**1 828**	**1 194**	**(266)**	**(62)**	

APPENDIX 2: FINANCIAL RISKS

The management of the financial risks of the DIAC group is considered to be part of the Groupe RCI Banque's global risk management process. In this respect, the RCI Banque S.A. holding company mainly carries out transactions on financial instruments, linked to its role as the central refinancing agency of the Groupe RCI Banque.

Refinancing and balance sheet management

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

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

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

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

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

ORGANIZATION OF MARKET RISK MANAGEMENT

The specific market risk management system is part of the groupe RCI Banque's overall internal control system and operates to standards approved by the Board of Directors. RCI Banque'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 RCI Banque 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 RCI Banque'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 RCI Banque 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 RCI Banque's Board of Directors.

Central refinancing limit:	€32m
Limit for sales financing subsidiaries:	€29.5m
Not assigned:	€8.5m
Total sensitivity limit in €m granted by Renault to RCI Banque:	**€70.0m**

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

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

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

Sensitivity is calculated daily per currency and per management entity (central refinancing office, French and foreign sales financing subsidiaries) and enables overall management of interest rate risk across the consolidated scope of the RCI Banque group. Monitoring is performed by the Financial Risk Team attached to the Risk and Bank Regulations Department (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 2021, RCI Banque's overall sensitivity to interest rate risk remained below the group's limit (€70 million).

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 macro-hedging transactions cover variable-rate resources and / or fixed-rate resources that are variable through micro-hedging of swaps.

These swaps and the securities available for sale are measured at fair value by reserves in accordance with IFRS 9.

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

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

Static liquidity

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

Liquidity reserve

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

Stress scenarios

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

FOREIGN EXCHANGE RISK

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

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

However, RCI sets limits on its transactional currency position, which is derived from cash flows denominated in currencies other than the currency of its portfolio.

CENTRAL REFINANCING

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

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

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

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

SALES FINANCING SUBSIDIARIES

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

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

Groupe RCI Banque's overall forex limit granted by the Chairman of the Board of Directors on the advice of the Chairman of the Board's Risk Committee is €35 million.

At 31 December 2021, the RCI Banque group's consolidated forex position is €4.2m.

COUNTERPARTY RISK

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

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

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

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

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

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

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

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

Fixed-rate method:

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

Residual term	Rate factor (as a % of the nominal)	Initial Term	Foreign exchange factor (as a % of the nominal)

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

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

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

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

This method is based on the so-called "major risks" regulatory method. Exposure for derivatives (rate and foreign exchange) is calculated as the sum of potential losses, calculated on the basis of the replacement value of the contracts with the counterparty without netting with potential gains, plus an “add-on” representing the potential future risk. This potential future risk is determined by French banking regulations (Regulation (EU) No 575/2013 of the European Parliament and 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 €201 million at 31 December 2021, compared to €239 million at 31 December 2020. According to the “positive mark to market + add-on” method, the equivalent counterparty risk was €27 million at 31 December 2021, compared with €18 million at 31 December 2020. These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.