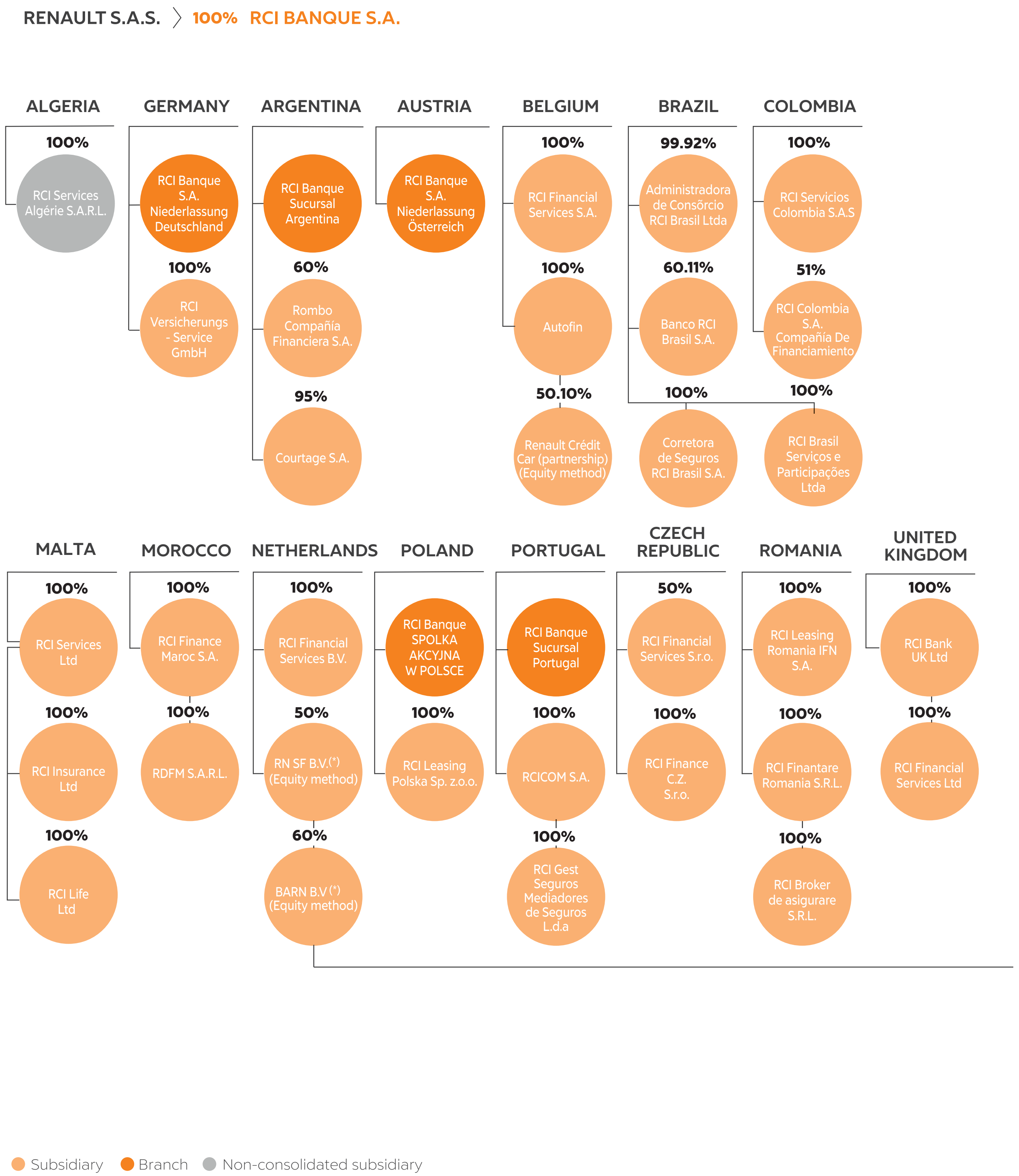
# 2020 ANNUAL REPORT

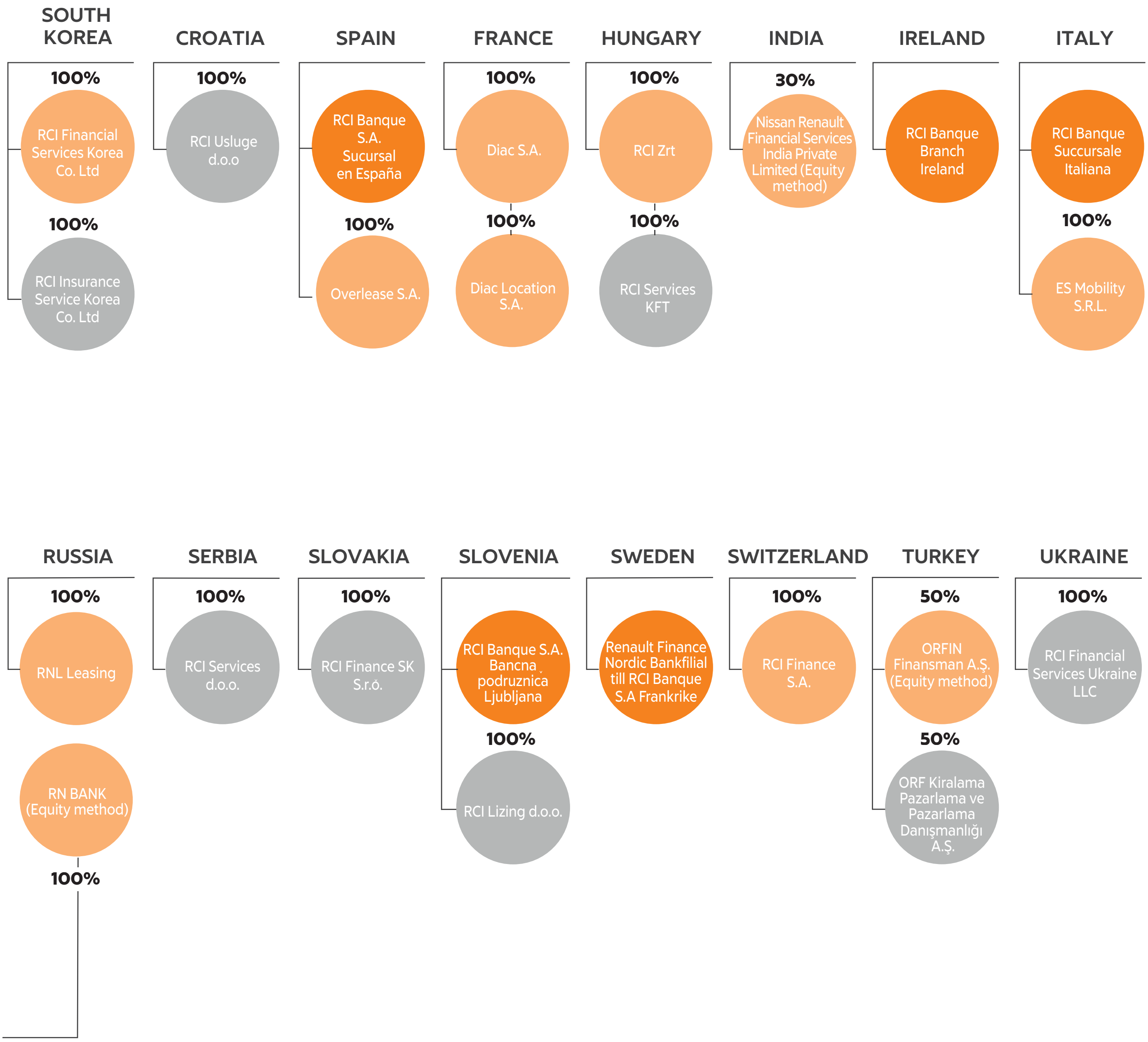
## THE FINANCIAL REPORTS

RCI BANK AND SERVICES

# RCI BANQUE ORGANIZATION CHART 2020




*(*) Organization of the activity in Russia.*



SOUTH KOREA
100%
RCI Financial Services Korea Co. Ltd
100%
RCI Insurance Service Korea Co. Ltd
CROATIA
100%
RCI Usluge d.o.o
SPAIN
RCI Banque S.A. Sucursal en España
100%
Overlease S.A.
FRANCE
100%
Diac S.A.
100%
Diac Location S.A.
HUNGARY
100%
RCI Zrt
100%
RCI Services KFT
INDIA
30%
Nissan Renault Financial Services India Private Limited (Equity method)
IRELAND
RCI Banque Branch Ireland
ITALY
RCI Banque Succursale Italiana
100%
ES Mobility S.R.L.
RUSSIA
100%
RNL Leasing
RN BANK (Equity method)
100%
SERBIA
100%
RCI Services d.o.o.
SLOVAKIA
100%
RCI Finance SK S.r.ó.
SLOVENIA
RCI Banque S.A. Bancna podruznica Ljubljana
100%
RCI Lizing d.o.o.
SWEDEN
Renault Finance Nordic Bankfilial till RCI Banque S.A Frankrike
SWITZERLAND
100%
RCI Finance S.A.
TURKEY
50%
ORFIN Finansman A.Ş. (Equity method)
50%
ORF Kiralama Pazarlama ve Pazarlama Danışmanlığı A.Ş.
UKRAINE
100%
RCI Financial Services Ukraine LLC

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The financial reports are part of the 2020 Annual Report, of which the magazine section can be viewed on the following link: **www.annualreport2020.rcibs.com**.

# 2020 ANNUAL REPORT

THE FINANCIAL REPORTS

1

> THE ROBUST PERFORMANCE OF RCI BANK AND SERVICES IN 2020 DEMONSTRATES THE RESILIENCE OF ITS BUSINESS MODEL AND CONFIRMS ITS STRONG CONTRIBUTION TO GROUPE RENAULT'S RESULTS.

# MESSAGE FROM CLOTILDE DELBOS

**Deputy Chief Executive Officer and Chief Financial Officer of Groupe Renault, Chief Executive Officer of the Mobilize brand, and Chairman of the Board of Directors of RCI Bank and Services.**

**What word would you use to describe the performance of RCI Bank and Services in 2020?**
I would say that the performance of RCI Bank and Services was robust. With pre-tax income of €1,003 million, RCI Bank and Services is continuing to make a strong contribution to Groupe Renault's results and has confirmed more than ever the resilience of its business model. In addition to our results, I would like to thank the teams of RCI Bank and Services around the world who have shown their commitment, despite unusual working conditions, to support all customers of the Alliance brands (including retail, corporate, and dealership customers) during this unprecedented period.

**In what way is RCI Bank and Services an asset for Groupe Renault?**
I can think of many ways! But I will mention two.
Although 2020 was a particularly difficult year on the economic front, RCI Bank and Services succeeded throughout the year in fulfilling its primary mission, which is to finance all customers of Groupe Renault as well as its dealerships in a challenging environment. And it did so while maintaining a high level of liquidity thanks to the record amount of collected deposits, with €20.5 billion, or 43% of its net assets at end December 2020.

In addition, RCI Bank and Services is a true benchmark in terms of customer satisfaction, with scores 19 points higher than other captive finance companies. Satisfied customers are loyal and renew their vehicle with the same brand. This is clearly an asset for Groupe Renault!

**What role will RCI Bank and Services play in the development of Mobilize?**
Mobilize targets customers who wish to adopt more sustainable, flexible forms of mobility. As a preferred partner, RCI Bank and Services allows Mobilize to provide its customers with easier access to financing services ranging from leasing to payment plans tailored to use. Starting in 2021, RCI Bank and Services will put its expertise to use to allow Mobilize to offer more digital customer journeys and give these customers the option to adapt ownership costs to how they use their vehicle.

# CUSTOMERS AT THE HEART OF OUR AMBITIONS

**DESPITE THE DIFFICULT CONTEXT, 2020 HAS BEEN FILLED WITH SUCCESSES FOR RCI BANK AND SERVICES.**

João Leandro,
Chief Executive Officer
RCI Bank and Services

**What is your take on this unprecedented year?**

Despite the difficult context, 2020 has been filled with successes for RCI Bank and Services. This year, our first priority was really to keep our employees safe, and we managed to do this with minimal perturbation to our customers.
Then, we have demonstrated the resilience of our business model with very encouraging results:

- we set a new penetration rate record of 47.5% and this allowed our brands to improved their commercial performance,
- in 2020, we also set a new record on electric vehicles financed with more than 50,000 ZOEs, and this was really a strong support to Renault to achieve the CAFÉ objectives,
- with more than 20 billion-euros in deposits collected, we diversified our refinancing strategy and we ensured the liquidity independence of RCI Bank and Services for years to come, despite the difficult context,
- and last but not least, we developped our new strategic plan, Together 4 Customers.

**Can you tell us more about your new strategic plan, Together 4 Customers?**

It's simple: we relied on the group's expertise of almost 200 employees from 20 countries.
This collaborative approach allowed us to develop an ambitious strategy with a complete roadmap until 2024 focused on the satisfaction of our 4 customers:

- the final customers: private and corporate,

**OUR AMBITION IS CLEAR: BECOME THE MOST INNOVATIVE CAPTIVE BY 2024, THE YEAR WE WILL CELEBRATE OUR 100TH ANNIVERSARY.**

• the car manufacturers,
• the dealers,
• our employees.

As you can see customer satisfaction is really our motto. But the word "Together" is also very important. Our strategic plan will be a success thanks to the involvement, the creativity and the initiatives of all our employees.
Our ambition is clear: we want to become the most innovative captive by 2024, the year we will celebrate our 100th anniversary.

### How your strategic plan Together 4 Customers is going to fit in the Renaulution revealed by Groupe Renault last January?

Our goal is to continue to support Groupe Renault commercial and financial performance. And to do that we will focus on 3 key priorities:

1. A digital life for our customers by developing an easy and seamless customer experience through a omnichannel approach. Our aim is to offer all possible options to our customers in their purchasing process, whether they prefer to start the process online and complete it at a dealership, or vice versa.
For 2021, our goal is to have a full online solution in all our main markets.

2. From selling car to selling kilometers by developing even more leasing offers based on usage, even more flexible and with services included. These types of offers already represented around 60% of our financing contracts sold in Europe in 2020, so we have a strong expertise we can build on.

3. Strengthen and optimize by applying strict control over our operating expenses, we will demonstrate the resilience of our business model. This effort has already begun as we have managed to maintain our expenses in 1.25% of average productive assets, an historically low level in 2020.

To achieve all these ambitious objectives, we must empower our employees, strengthen our cross-business collaboration thanks to tribes, squads and encourage risk-taking. So in conclusion: all RCI Bank and Services and its employees are already fully engaged in the Renaulution!

# PERFORMANCE

**In a challenging context, our 2020 commercial and financial results demonstrate the resilience of RCI Bank and Services' business model. This solidity strengthens our role within Groupe Renault and, more broadly, alongside the Alliance brands.**

## RESILIENT KEY INDICATORS DESPITE THE PANDEMIC CONTEXT

### WORLDWIDE

**3,800**
EMPLOYEES

**9**
BRANDS

**36**
COUNTRIES

### FINANCING

**1.5 MILLION**
OF NEW FINANCING CONTRACTS
-15.5% VS 2019

**17.8 BILLION EUROS**
IN NEW FINANCING CONTRACTS
-16.7% VS 2019

**47.5%**
OF REGISTRATIONS FINANCED

**349 THOUSAND**
USED VEHICLE FINANCING CONTRACTS
-5.2% VS 2019

### SERVICES

**4.6 MILLIONS**
SERVICE CONTRACTS SOLD
-9.6% VS 2019

**1.8**
SERVICES SOLD PER VEHICLE
0.3 PT VS 2019

### FINANCIAL PERFORMANCE

**46.9 BILLIONS EUROS**
IN AVERAGE PERFORMING ASSETS
-1.1% VS 2019

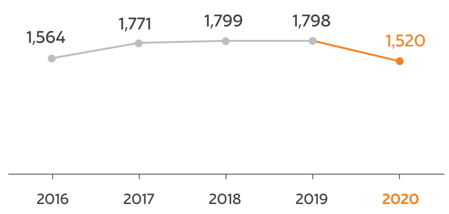
**1,003 MILLION EUROS**
IN PRE-TAX INCOME
-24.4% VS 2019

**1.95 BILLION EUROS**
IN NET BANKING INCOME
-4.3% VS 2019

# KEY INDICATORS AT THEIR HIGHEST LEVEL DESPITE A DECLINING AUTOMOTIVE MARKET

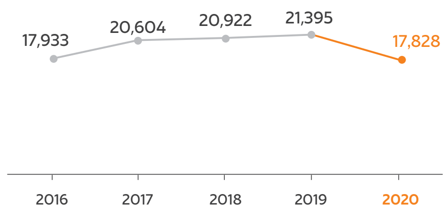
## TOTAL NUMBER OF VEHICLE CONTRACTS

*(in thousands)*



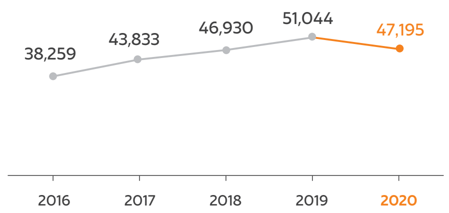

## NEW FINANCINGS

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




## NET ASSETS AT END 2020[1]

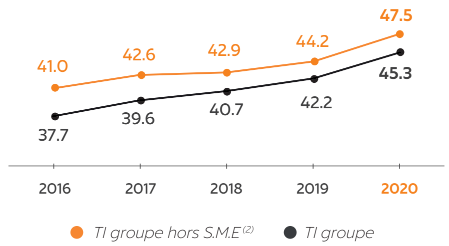
*(€ million)*




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

## FINANCING PENETRATION RATE

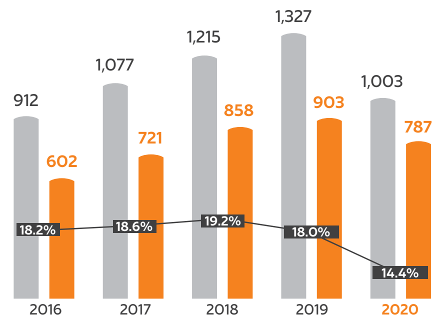
*(percentage of registrations)*




(2) EAC: Equity-accounted Company (Turkey, Russia, India)

## RESULTS

*(€ million)*



# BUSINESS ACTIVITY

**RCI Bank and Services posts a further increase in its sales performance for 2020 and keeps its goals on track. RCI Bank and Services confirms its position as a key strategic partner to the Alliance brands.**

| | Financing penetration rate RCI Banque *(%)* | | New vehicle contracts *(thousands)* | | New financings excl. credit cards and personal loans *(€m)* | | Net assets at year end[2] *(€m)* | |
|---|---|---|---|---|---|---|---|---|
| PC + LCV market[1] | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| **EUROPE** | **48.9%** | 45.4% | **1,112** | 1,342 | **15,038** | 17,898 | **42,635** | 45,413 |
| of which Germany | **47.2%** | 44.3% | **172** | 188 | **2,566** | 2,902 | **8,361** | 8,418 |
| of which Spain | **52.7%** | 52.6% | **109** | 154 | **1,305** | 1,842 | **4,120** | 4,797 |
| of which France | **54.9%** | 49.3% | **427** | 490 | **5,760** | 6,363 | **15,993** | 15,579 |
| of which Italy | **67.3%** | 65.7% | **151** | 210 | **2,153** | 3,030 | **5,620** | 6,297 |
| of which United Kingdom | **36.2%** | 29.3% | **101** | 106 | **1,538** | 1,589 | **4,116** | 4,781 |
| o/w other countries | **33.9%** | 32.2% | **153** | 194 | **1,716** | 2,172 | **4,425** | 5,541 |
| **AFRICA - MIDDLE-EAST - INDIA AND PACIFIC** | **41.8%** | 40.9% | **107** | 119 | **1,156** | 1,240 | **2,072** | 2,168 |
| **AMERICAS** | **41.6%** | 38.0% | **148** | 208 | **1,014** | 1,688 | **2,157** | 3,145 |
| of which Argentina | **28.2%** | 21.0% | **18** | 20 | **77** | 74 | **123** | 189 |
| of which Brazil | **41.1%** | 39.4% | **100** | 156 | **682** | 1,331 | **1,498** | 2,470 |
| of which Colombia | **62.8%** | 53.8% | **29** | 33 | **254** | 282 | **536** | 486 |
| **EURASIA** | **35.0%** | 29.7% | **154** | 128 | **619** | 569 | **331** | 318 |
| **TOTAL GROUPE** | **45.3%** | **42.2%** | **1,520** | **1,798** | **17,828** | **21,395** | **47,195** | **51,044** |

*(1) Figures refer to passenger car (PC) and light commercial vehicle (LCV) markets,*

*(2) Net assets at year-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.*

| | of which customer net assets at year-end *(€m)* | | of which dealer network net assets at year-end *(€m)* | | Average performing assets *(€m)* | | Net banking income *(€m)* | | Pre-tax income *(€m)* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **34,128** | 34,488 | **8,507** | 10,925 | **42,273** | 42,286 | **1,663** | 1,740 | **879** | 1,095 |
| | **7,002** | 6,805 | **1,359** | 1,613 | **8,114** | 7,850 | **262** | 271 | **176** | 197 |
| | **3,492** | 3,762 | **628** | 1,035 | **4,328** | 4,515 | **127** | 145 | **47** | 88 |
| | **12,262** | 11,788 | **3,731** | 3,791 | **14,961** | 14,421 | **415** | 434 | **129** | 228 |
| | **4,873** | 4,946 | **747** | 1,351 | **5,753** | 5,822 | **172** | 179 | **99** | 106 |
| | **3,440** | 3,800 | **676** | 981 | **4,499** | 4,758 | **153** | 142 | **89** | 102 |
| | **3,059** | 3,387 | **1,366** | 2,154 | **4,617** | 4,919 | **535** | 570 | **340** | 374 |
| | **1,973** | 2,036 | **99** | 132 | **2,029** | 2,009 | **95** | 95 | **40** | 60 |
| | **1,879** | 2,572 | **278** | 573 | **2,294** | 2,844 | **171** | 239 | **49** | 139 |
| | **75** | 97 | **48** | 92 | **103** | 158 | **30** | 49 | **5** | 28 |
| | **1,311** | 2,038 | **187** | 432 | **1,717** | 2,270 | **109** | 160 | **38** | 94 |
| | **493** | 437 | **43** | 49 | **474** | 416 | **32** | 31 | **6** | 17 |
| | **321** | 303 | **10** | 15 | **311** | 271 | **25** | 22 | **34** | 33 |
| | **38,301** | **39,399** | **8,894** | **11,645** | **46,907** | **47,410** | **1,955** | **2,096** | **1,003** | **1,327** |

# Chapter 01

# FINANCIAL POLICY

## The Covid-19 health crisis has profoundly affected economies and markets throughout 2020. Governments and central banks quickly took action to avoid a major and lasting economic crisis.

Initially concentrated in China and Asia, the Coronavirus epidemic spread worldwide. Between March and April 2020, fears of a health crisis led many countries to introduce strict lockdown measures. These measures have had a major impact on economic activity and consumption. To prevent this health crisis from triggering a major economic crisis, the main central banks took extensive monetary policy measures.

In the United States, the Federal Reserve resumed its asset purchase program comprising government bonds, municipal bonds, corporate bonds, mortgage securities and securitizations for a total amount of US$2.6 trillion. It also cut the Fed Funds rate to 0-0.25%, a 150 bps drop since early March, and announced that it was planning on keeping them at a level close to zero until at least 2022. In July, the institution modified its long-term policy to reach a target interest rate of 2% on average and allow monetary flexibility aimed at regaining a full employment market.

The European Central Bank has introduced a new emergency purchasing program in response to the pandemic. Initially announced for €750 billion, the Pandemic Emergency Purchase Program, or PEPP, was subsequently increased to €1.85 trillion. TLTRO III terms[1] were also eased with a reduction in the rate and a downward recalibration of the growth targets that banks must achieve in order to benefit from the lowest rate. In July, the 27 European countries also reached agreement on a €750 billion recovery plan, split between €390 billion in subsidies and €360 billion in loans intended to finance post-pandemic recovery efforts.

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

Nevertheless, equity indexes fell sharply in February and March and credit spreads widened significantly. During the second half of the year, marked by the end of lockdowns, market conditions gradually normalized before experiencing a temporary rise in risk aversion linked to the resurgence of the health crisis at the end of October. The election of a new Democratic President in the USA in early November and the growing hopes for the development of an effective vaccine against Covid-19 led to a sharp rebound in equity markets as well as a tightening of risk premiums on the bond market. The agreement reached on the conditions of Brexit and the start of Covid-19 vaccination campaigns also supported the markets in early 2021.

After a low of -36%, the Euro Stoxx 50 index ended the year down -5%. At the same time, credit spreads on corporate bonds (IBOXX Corporate Overall index) experienced similar volatility, rising from 70 bps in January to 200 bps at the end of March, before ending the year at 74 bps.

During the year, the use of market funding has been modest and the company was barely impacted by the increased cost of financing. This situation is the result of lower bond redemption in 2020 than in previous years (anticipation of the refinancing of the TLTRO II launched in 2016), the slowdown in automotive sales and the resulting decline in new loan volumes. A 7-year fixed-rate €750 million bond was issued in January.

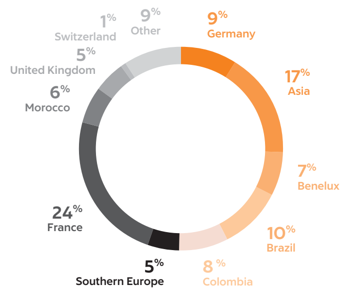
Private customer deposits increased Deposits by €2.8 billion since December 2019, reaching €20.5 billion at 31 December 2020 and representing 43% of net assets at the end of December.

(1) Foreign exchange position.

In the secured refinancing segment, private securitizations of car loans in the United Kingdom and leasing in Germany saw their revolving periods extended for an additional year. The French subsidiary also carried out its first securitization of automotive Lease with Purchase Option (LOA) receivables in France for an amount of €991.5 million, split between €950 million in senior securities (including 200 million retained) and €41.5 million in subordinated notes.

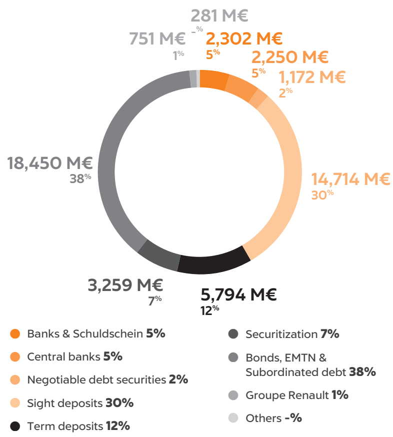
### GEOGRAPHICAL BREAKDOWN OF NEW RESOURCES WITH A MATURITY OF ONE YEAR OR MORE (EXCLUDING DEPOSITS AND TLTRO)

*(as at 31/12/2020)*




### STRUCTURE OF TOTAL DEBT

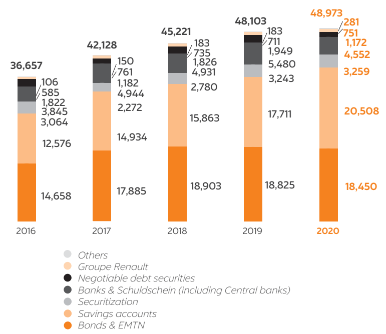
*(as at 31/12/2020)*




### CHANGES IN THE STRUCTURE OF TOTAL DEBT

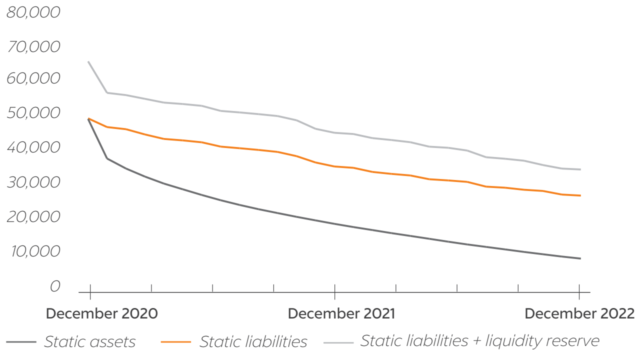
*(in millions of euros)*

*(as at 31/12/2020)*



## STATIC LIQUIDITY POSITION[1]

(in million euros)

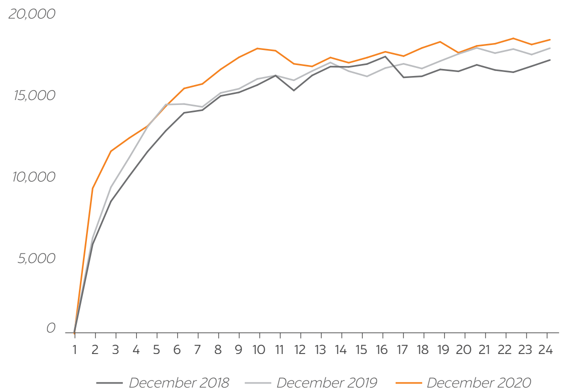



Static assets: Assets runoff over time assuming no renewal
Static liabilities: Liabilities runoff over time assuming no renewal

(1) Scope: Europe.

## STATIC LIQUIDITY GAP[1] (en millions d'euros)

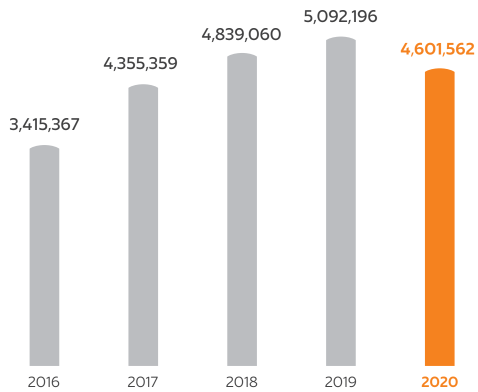
(at 31/12/2019)




(1) Scope: Europe.

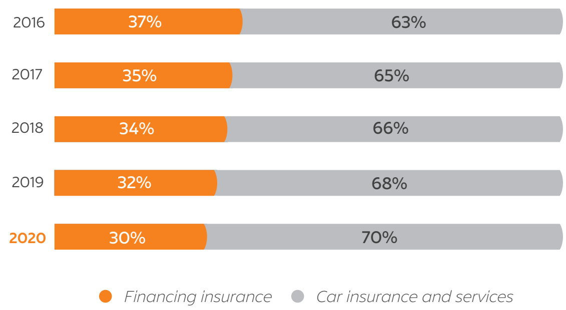
## SERVICE CONTRACTS (in number)

(at 31/12/2019)



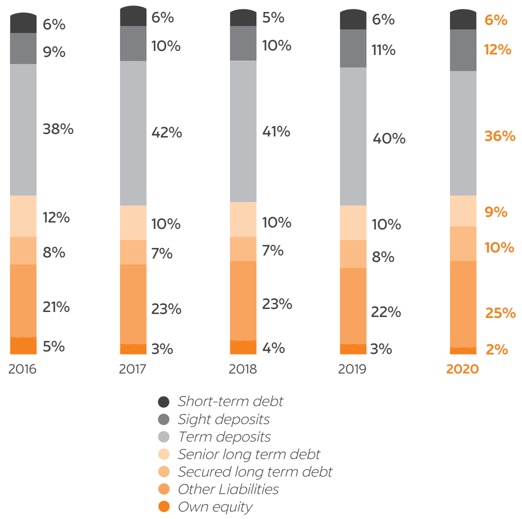

## SERVICE MIX (as a %)

(at 31/12/2019)




## BREAKDOWN OF LIABILITIES

(at 31/12/2019)




These resources, to which should be added, on the European scope, €4.5 billion in undrawn confirmed credit lines, €4.5 billion in collateral eligible for ECB monetary policy operations, and €7.4 billion in High Quality 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 2020, RCI Banque's liquidity reserve (Europe scope) stood at €16.6 billion, an increase of +€ 7.1 billion compared to the end of 2019.

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

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

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

At 31 December 2020, a 100-basis point rise in rates would have an impact on the group's net interest margin (NIM) of:

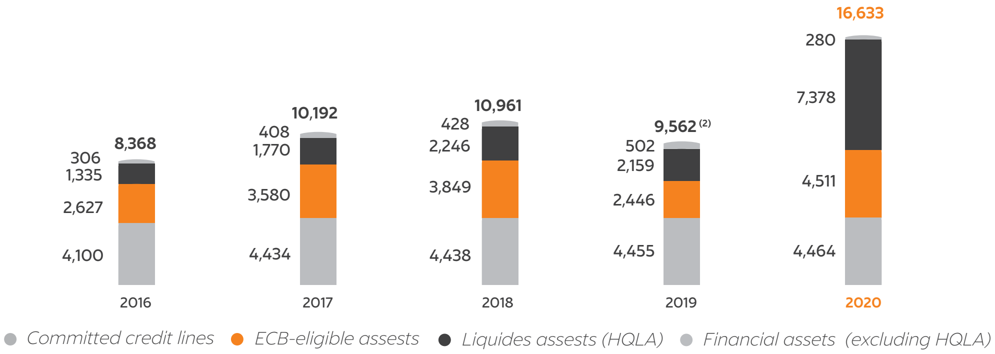
- +€4.3 million in EUR;
- +€0.5 million in CHF;
- +€0.6 million in KRW;
- +€0.2 million in CZK;
- -€0.6 million in BRL;
- -€0.3 million in GBP;
- -€0.1 million in PLN.

The absolute sensitivity values in each currency totaled €9.4 million.

The groupe RCI Banque's consolidated transactional foreign exchange position[1] is €5.8 million.

## LIQUIDITY RESERVE[(1)]

*(in millions euros)*



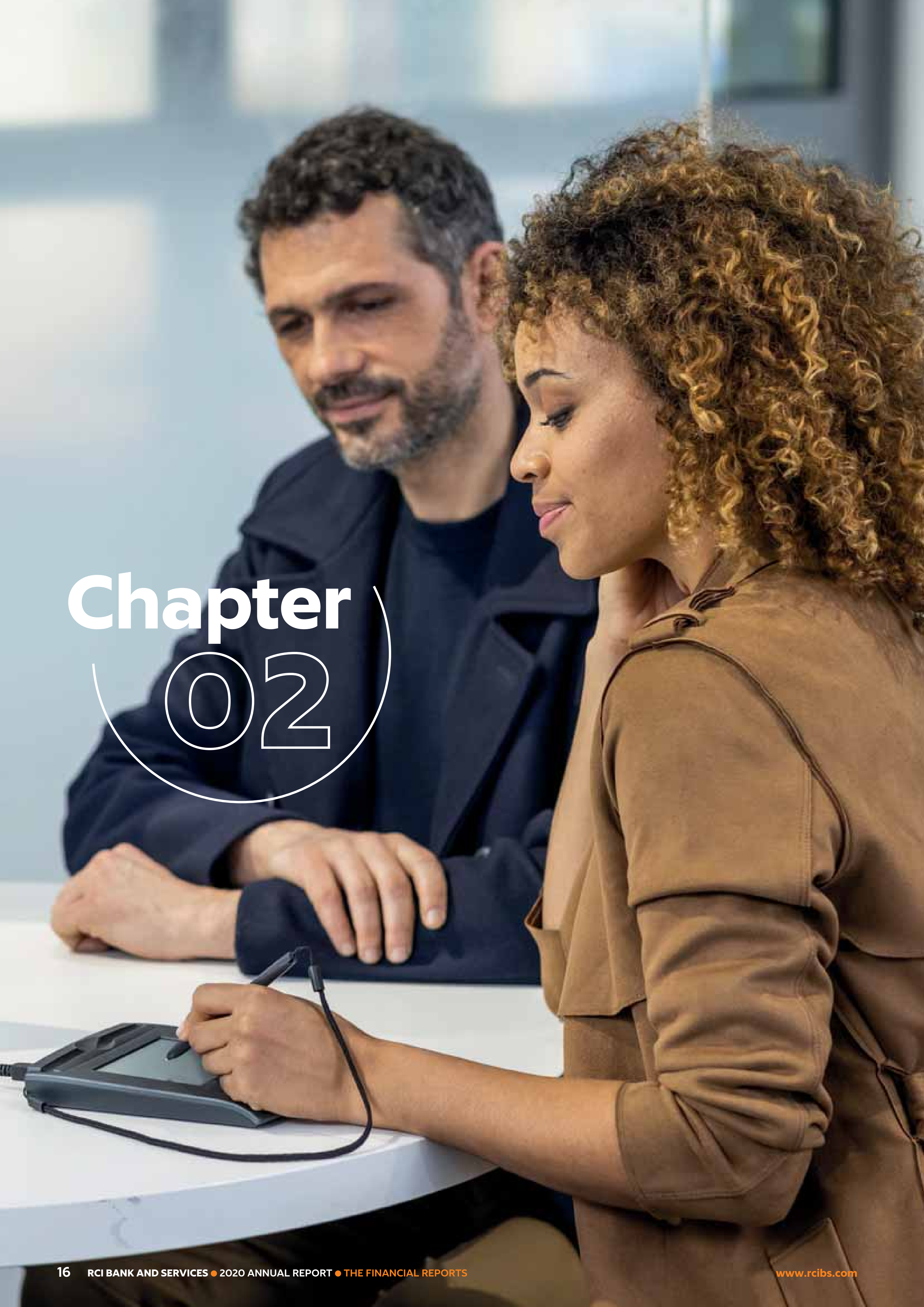

*(1) Scope: Europe.*
*(2) The liquidity reserve is calibrated to achieve the internal business continuity target in a stress scenario. Lower level in December 2019 reflects a lower level of bond redemptions for the following year (bond repayments respectively €1.8 billion in 2020 and €2.8 billion in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

RCI Banque, 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 | Instrument | Market | Amount | S & P | Moody's | Other |
|---|---|---|---|---|---|---|
| RCI Banque S.A. | Euro CP Program | Euro | €2,000 million | **A-2** | **P2** | |
| RCI Banque S.A. | Euro MTN Program | Euro | €23,000 million | **BBB** (negative outlook) | **Baa2** (negative outlook) | |
| RCI Banque S.A. | NEU CP[(1)] Program | French | €4,500 million | **A-2** | **P2** | |
| RCI Banque S.A. | NEU MTN[(2)] Program | French | €2,000 millio | **BBB** (negative outlook) | **Baa2** (negative outlook) | |
| RCI Banque S.A. | Tier 2 Subordinated Notesn° 19-517 | Euro | €850 million | **BB** | **Ba2** (negative outlook) | |
| Diac S.A. | NEU CP[(1)] Program | French | €1,000 million | **A-2** | | |
| Diac S.A. | NEU MTN[(2)] Program | French | €1,500 million | **BBB** (negative outlook) | | |
| Rombo Compania Financiera S.A. | Bond Program | Argentinian | ARS6,000 million | | **A+ (arg)** (negative outlook) | Fix Scr : **AA (arg)** (negative outlook) |
| RCI Financial Services Korea Co Ltd | Bonds | South Korean | KRW1,610 billion[(3)] | | | KR, KIS, NICE : **A+** |
| Banco RCI Brasil S.A. | Bonds | Brazilian | BRL3,116 million[(3)] | | **Aa2.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 | COP300 billion[(3)] | **AAA.co** | | |
| RCI Colombia S.A. Compañia de Financiamiento | CDT: Certificado deDepósito a Término | Colombian | COP617 billion[(3)] | **AAA.co** | | |

*(1) Negotiable European Commercial Paper (NEU CP), new name for Certificates of Deposit.*
*(2) Negotiable European Medium-Term Note (NEU MTN), new name for Negotiable Medium-Term Notes.*
*(3) Outstandings.*

*(1) Foreign exchange position.*



# Chapter 02

# RISKS **PILLAR III**

# STATEMENT ON INFORMATION PUBLISHED IN RESPECT OF PILLAR III

Senior management and the Board of Directors are responsible for implementing and maintaining an effective internal control organization overseeing the company's publications, including those issued in respect of the Pillar III report.

In that regard, we confirm, after taking all reasonable measures to that end, that the information reported at 31 December 2020 in respect of the RCI Banque Pillar III report has been subject to the same degree of internal control and same internal control procedures as other information provided as regards the financial report.

| | |
|---|---|
| João Miguel Leandro | Clotilde Delbos |
| Chief Executive Officer | Chairman of the Board of Directors |

# INTRODUCTION

The following information concerns RCI Banque's risks and is provided to meet the disclosure requirements of Pillar III of the Basel Agreements, transposed into European law by means of Regulation (EU) 2013/575 (or CRR) and Directive 2013/36/EU (or CRD IV) amended by Directive 2019/878/EU of 20 May 2019 (CRD V).

It is published on a consolidated basis (Article 13 of the CRR) and meets the requirements set out in part 8 of the CRR (Articles 431 and seq.).

RCI Banque's Pillar III report is published annually as a whole, but certain important or faster changing items are disclosed half-yearly, or only on a transitional basis (Article 492 of the CRR). No material, proprietary or confidential information is omitted (Article 432 of the CRR).

Publication of the risk report is the responsibility of RCI Banque's company Chief Risk Officer. The information contained in this report has been prepared in accordance with the Pillar III disclosure procedure validated by RCI Banque's Regulatory Committee.

# I SUMMARY OF RISKS

## 1 KEY FIGURES

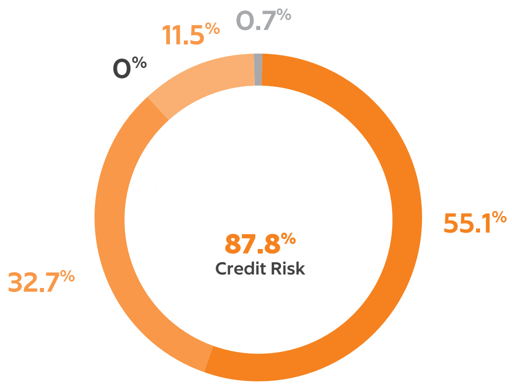
### Prudential ratios and ROA

| Prudential Ratios | |
|---|---|
| CET1 Solvency Ratio(1) | 17.34% |
| Leverage Ratio | 10.07% |
| LCR – Aryhmetic Average of the past three months | 622% |
| **RETURN ON ASSETS(2)** | **1.3%** |

*(1) Solvency Ratio including interim profits net of provisional dividends for end-year 2020, subject to regulator's approval in accordance with Article 26(2) of Regulation (EU) no. 575/2013.*

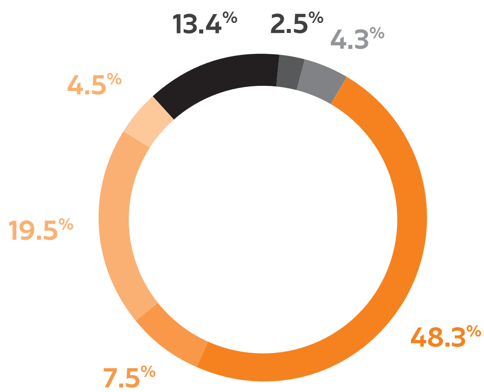
*(2) Return on assets calculated by dividing net profit by the balance sheet total (CRD IV, Article 90).*

### Own funds requirements by type of risk




- Credit Risk (Internal Ratings Based Approach) **55.1%**
- Credit Risk (Standard Approach) **32.7%**
- Operational Risk **11.5%**
- Credit Valuation Adjustment Risk **0.7%**
- Market Risk **0.0%**
- Credit Risk **87.8%**

### Exposure by exposure class




- Retail **48.3%**
- Retail SME **7.5%**
- Corporates **19.5%**
- Corporates SME **4.5%**
- Central Governments or Central Banks **13.4%**
- Institutions **2.5%**
- Other non-credit obligation assets **4.3%**
- Equity **0%**

## 2 CONTEXT

The progressive development, since the end of December 2019, of the Covid-19 coronavirus disease worldwide has resulted in significant health threats in certain countries where the group operates and is accompanied by the gradual implementation of public measures, in different countries and at their borders. This situation may have disturbed, or even prevented, the opening of automotive distribution networks in schedules for part of 2020. Automotive sales may have been negatively impacted with potential consequences on automotive related financing and services.

These elements had an impact on the Group's financial performance (average performing assets, interest income, cost of risk). The group is fully mobilized, in particular through a comprehensive crisis management system, in order to protect the health of its employees, in close relationship with public authorities, preserve its assets and its ability to operate, adapt to changes in the situation, and anticipate, by appropriate measures, the return to a more normative context for its personnel, its activities and commercial demand.

To date, the Covid-19 outbreak has had a negative impact in varying degrees on different geographical areas. However, as the pandemic is still ongoing and the duration of the resulting crisis remains uncertain, the group is not able to fully assess its impact. However, no new risks have been identified in light of the crisis.

## 3 RISK FACTORS

The identification and monitoring of risks is an integral part of RCI Banque's approach to risk management. This approach may be observed through risk-weighted asset levels, but also through other indicators, work and analyses conducted by the Group's steering and risks functions.

In light of the diversity of the Group's business, the management of risks is built around the following major risk types:

- **Interest rate risks and foreign exchange risks**: risk of a drop-in interest rate margin or in the value of the banking portfolio owing to a change in interest rates or foreign exchange rates;
- **Liquidity and funding cost risk**: liquidity risk occurs when RCI Banque is unable to honor its commitments or cannot finance the development of its business in line with its commercial objectives. Funding cost risk corresponds to the risk of RCI Banque not being in a position to finance its activities at a cost that is competitive;
- **Credit risk (Retail customers and Dealer networks)**: risk of losses resulting from customers' inability to meet their financial commitments;
- **Residual value risk**: risk to which the group is exposed as a result of the depreciation in the net resale value of a vehicle at the end of the financing contract (value below initial estimate);
- **Strategic risk**: risk resulting from the group's inability to implement its strategy and achieve its medium-term plan;
- **Concentration risk**: risk resulting from a concentration in RCI Banque's exposures (countries, sectors, debtors);
- **Operational risks**: risk of losses or sanctions resulting from ineffective or inadequate internal processes involving staff and/or IT systems (IT risks), or external events, whether deliberate, accidental or natural (Business interruption);
- **Non-compliance risks**: risk of legal, administrative or disciplinary sanctions, of significant financial loss or reputational damage, arising due to non-compliance with provisions specific to banking and financial activities (laws and regulations in force, ethics codes, national, European and international banking regulations). These risks include legal and conduct risks, tax risks, risks relating to money-laundering and the financing of terrorism (AML-CFT), risks associated with the protection of personal data, and risks of non-compliance with banking regulations, risks related to corruption and influence peddling, and ethical risks;
- **Model risk**: risk associated with a failure in the models used by the group in the course of its business. This notably relates to the use of inadequate price calculation, revaluation, hedging or risk management models. Failure of such models may be due to either the quality of the data used, the modeling technique or the implementation or use thereof;
- **Climate and environmental risks**: These are the risks posed by the exposure of financial institutions and/or the financial sector to physical, transition and liability risks caused by, or related to, climate change.

The various risk types presented above are those identified at this time as being the most significant and typical for RCI Banque, and the materialization of which could have a major adverse effect on its operations, financial position, and/or performance. This is not an exhaustive list of the risks undertaken by the group as part of its activities or in consideration of its environment.

# II GOVERNANCE AND ORGANIZATION PRINCIPLES OF RISK MANAGEMENT

## 1 RISK GOVERNANCE POLICY – RISK APPETITE FRAMEWORK

### Risk governance policy: key principles

The capacity to control actual or potential risks in its day-to-day activities, share the right information, take adequate measures in good time and promote responsible conduct at all levels of the company are key performance factors for the RCI group, and the pillars of its risk management mechanism.

Therefore, in accordance with the regulatory requirements (CRD IV/CRR), the RCI group's Risk Governance policy, adopted by General Management and the Board of Directors of RCI Bank and Services, is built around the following principles:

- Identifying the main risks that RCI Banque has to address, in light of its "business model", its strategy and the environment in which it operates;
- The Board of Directors determining and formally defining risk appetite and conscious of it when setting strategic and commercial objectives;
- Clarifying the roles of all parties involved in risk management and raising awareness amongst all managers about due compliance with Risk Governance Policy and with limits;
- Improving vertical and horizontal communication channels and reporting lines to ensure alerts escalation to the right level and timely treatment of any overruns of set risk limits;
- Risks are controlled by functions independent from operational functions.

The Risk Governance Policy applies to all consolidated entities in the RCI group and is deployed at all levels of the organization, in each business line, for all risks and processes.

The list of risks identified in the group's mapping undergoes regular review (at least once a year), and any modifications thereto are subject to a prior consistency check with regard to the ICAAP/ILAAP standards. For its part, the risk appetite framework may be redefined and the control system strengthened whenever the risks of occurrence or seriousness of a risk appear greater.

Risk management guidelines are taken into account when drawing up each business plan and entail an examination of the related risks. This analysis is orchestrated by the Chief Risk Officer and forms an integral part of the plan submitted to the Board of Directors for approval.

The governing bodies (Executive Committee, Board of Directors' Risk Committee) ensure consistency and balance between:

- Business development strategy and commercial objectives; and
- Risk strategy and associated risk guidelines.

RCI Banque's Board of Directors confirms that the risk management systems in place are adequate to preserve the company's liquidity and solvency with regard to its strategy and its risk profile.

#### Risk Appetite Framework

The "RAF" ("Risk Appetite Framework") defined by the Board of Directors is the group's guiding line of conduct in the field of risk strategy, which lays down the principles and limits of RCI Banque's strategy to be followed within the company.

As part of this framework, "Risk Appetite" is defined for RCI Banque as the aggregate level and types of risks that the Board of Directors is willing to assume, in line with the company's risk capacity to achieve its strategic and commercial objectives.

At operational level, risk appetite is reflected by relevant limits and alert thresholds. The indicators, which may be qualitative and/or quantitative, used to set these limits, are in place for the company's major risks, as is the process of alert escalation up to the Board of Directors.

The RCI Board of Directors' Risk Committee ascertains the smooth running of this process, which is subject to a general review at least once a year. In parallel, the most critical risks are presented quarterly to the Board of Directors' Risk Committee.

# 2 ORGANIZATION OF RISK CONTROL

The overall risk monitoring process at RCI Banque is managed at three levels by distinct functions:

- **1st level controls** is done by:
  - the operational staff in charge of day-to-day risk management within their own area of responsibility. They decide on and are responsible for risk-taking within the operations they conduct to achieve goals assigned to them. They exercise such responsibility in compliance with the risk management rules and limits set by the "Corporate" risk steering functions,
  - the corporate functional departments in charge of risk definition, rules, management methods, measurement and monitoring at the corporate level. Each department, in its area of expertise, manages and oversees the risk management system via guidelines and country objectives. Risk is monitored by periodic dedicated committees in both the subsidiaries and centrally. These departments rely on local representatives for risk measurement and exposure monitoring and ensure that limits are respected at the group level;
- **2nd level controls comprises:**
  - the Internal Control department, who reports to the Chief Risk Officer, is responsible for directing the general internal control system for the entire group. In terms of internal control supervision in the RCI Banque group subsidiaries, the Director of the Internal Control department is supported by Internal Controllers who report to him/her functionally. The Internal Controllers report hierarchically to the CEO of the subsidiary. Similarly, the Director of the Internal Control department is supported by employees within the central functions to manage the internal control supervision system within the RCI Banque group departments. Both group Internal Controllers and subsidiary Internal Controllers verify the operations compliance level versus the procedures by checking the compliance with the group rules,
  - the Risk and Banking Regulation department, who reports to the Chief Risk Officer, ensures the deployment of the Risk Governance Policy within the group and ensures its consistency with the Risk Appetite Framework (RAF) defined by the Board of Directors; ensures the reliability of risk measurement indicators, the completeness of risk management systems for each risk and the effective exercise of such management; controls, more specifically, the effectiveness of the reporting and alert feedback channels from the subsidiaries to the Corporate departments and prepares a summary report on the risks for the management bodies and the Risks Committee of the Board of Directors, as appropriate; verifies the adequacy of the corrective measures developed in the event of failures and their effective implementation by the management functions; plays a central role in monitoring the group's compliance with applicable prudential regulations;
- **3rd level controls** refers to the Internal Audit and Periodic Control function, which aims to provide RCI Banque's Board of Directors and General Management with an overview of the effective level of business operations' control and of the risk steering and management performed by the first two levels.

These three risk controlling lines report to the following committees:

- The Board of Directors and its specialist committees, including the Risk Committee and the Audit and Accounting Committee;
- The Executive Committee and the subsidiaries Management Board committees, notably via the Internal Control, Operational Risk and Ethics & Compliance Commitee (at local and central level);
- The operational risk management committees within the company's functions (at local and central level).

The content of the information reported to the Board of Directors' Risk Committee is decided upon during meetings of the latter Committee on the basis of proposals submitted by the Executive Board member concerned and the Chief Risk Officer. Exposure to each risk is measured at a frequency appropriate (from daily for risks such as the interest rate risk and monitoring of customer deposits, to monthly in general cases). These measurements are made at the individual entity level and then consolidated. The Risk and Banking Regulation department centralizes the production of the quarterly dashboard delivered to the Board of Directors' Risk Committee.

The risk management system covers all the macro processes of the RCI Banque group and includes the following tools:

- the list of main risks for the RCI Banque group for which a coordinator, a level of appetite, alert thresholds and limits (Risk Appetite Framework, or RAF) are defined. This list and the Risk Appetite Framework are updated at least once a year in line with the RCI Banque group's business model and strategy;
- the operational rules mapping deployed in all of the RCI Banque group's consolidated subsidiaries identifies operating risks and the ways in which they are controlled. This operational risk mapping is updated regularly by the functional departments, Process owners carry out a self-assessment of the operational rules control device and perform first level of controls in order to regularly check the operations compliance level versus the procedures;
- the incident collection database helps to identify malfunctions that correspond to predefined criteria and enables the corrective and preventive measures required to control risks to be put in place. This database is used for internal and regulatory reporting purposes. The system sets thresholds for immediately communicating incidents to Executive Directors, Board of Directors, the French Prudential Supervision and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR) and the European Central Bank.

## The governing bodies

### The Board of Directors

Board of Directors members, like the Executive Directors, are appointed on the basis of their reputation, knowledge of the company's activity and lines of business, technical and general skills, and experience, acquired for some of them through their duties in the shareholding company.

In addition, they collectively have the knowledge, expertise and experience to understand all the company's activities, including the main risks to which it is exposed, the sales finance sector, the Renault-Nissan-Mitsubishi Alliance and the automotive industry.

They each devote the time and attention necessary to perform their duties, in accordance with current regulations limiting the number of appointments held.

The principles concerning the selection and appointment of directors, de facto managers and holders of key positions in the company are described in RCI Banque's Management Suitability Policy, approved by the Board of Directors on 8 February 2019.

The policy provides in particular a distinct preselection process according to position, a succession plan and an assessment by the Appointments Committee based on specified suitability criteria and taking into consideration a diversity policy for the Board of Directors.

## II-1 POSITIONS HELD BY THE MEMBERS OF RCI BANQUE'S BOARD OF DIRECTORS

Board of Directors as at 31 December 2020

| | Position held in RCI Banque S.A. | Number of other positions held inside Renault Group | Number of other positions held outside Renault Group |
|---|---|---|---|
| Alain BALLU | Director of the Board | | |
| Phlippe BUROS | Director of the Board | 1 executive position<br>9 non-executive positions | |
| Laurent DAVID | Director of the Board | | |
| Clotilde DELBOS | Chairman of the Board | 3 non-executive positions | 1 executive position<br>1 non-executive position |
| Isabelle LANDROT | Director of the Board | 2 non-executive positions | |
| Isabelle MAURY | Director of the Board | | 1 executive position<br>1 non-executive position |
| Nathalie RIEZ-THIOLLET | Director of the Board | | 1 non-executive position |

Other members of the management body in its executive function at 31 December 2020

| | Position held in RCI Banque S.A. | Number of other positions held inside Renault Group | Number of other positions held outside Renault Group |
|---|---|---|---|
| François GUIONNET | Deputy Chief Executive Officer and VP Territories and Performance | 8 non-executive positions | 1 executive position |
| João Miguel LEANDRO | Chief Executive Officer | 4 non-executive positions | |
| Jean-Marc SAUGIER | Deputy Chief Executive Officer and VP Finance and Treasury | 4 non-executive positions | 1 executive position |

At 31 December 2020, RCI Banque's Board of Directors had seven members, including four female members.

On recommendation by the Nominations Committee, the Board of Directors has set a diversity policy consisting in particular of maintaining a minimum proportion of 40% of directors of each sex.

As part of its oversight remit, in order to guarantee effective and prudential management of the establishment, the Board of Directors determines RCI's risk profile in line with set strategic objectives, gives Executive Directors and the Executive Committee guidance on risk management for implementation/adaptation within the group, and supervises implementation thereof.

To that end, RCI Banque's Board of Directors relies on specialist committees:

### The Risk Committee

The Risk Committee meets four times a year. Its role includes examining the risk map and signing off on the definition of risks, and analyzing and authorizing RCI group risk limits in line with the Board's risk appetite and with a view to assisting the Board in terms of oversight. It is also responsible for analyzing action plans in the event that limits or notification thresholds are exceeded, and for examining pricing systems for products and services. In parallel with the remuneration Committee, it also has the task of examining whether the remuneration policy is compatible with the company's risk exposure. So that it can advise the Board of Directors, this Committee is also responsible for the analysis and approval of the internal control report, the ICAAP and ILAAP systems, the recovery plan, and significant aspects of the rating and estimating processes derived from the company's internal credit risk models.

### The Accounts and Audit Committee

The Accounts and Audit Committee meets three times a year. It is responsible for preparing, presenting and monitoring the financial statements, overseeing the statutory audit of the separate and consolidated financial statements, monitoring the independence of the statutory auditors and the definition of their non-auditing services, recommending the appointment of the statutory auditors and monitoring their rotation, verifying the effectiveness of internal control and risk management systems, reviewing the audit plan, analyzing the audits carried out and reviewing investments in unconsolidated companies.

### The Remunerations Committee

The Remunerations Committee meets at least twice a year. Its main task is the annual review of the remuneration policy of management body and Chief Risk Officer. It also prepares decisions for the Board of Directors regarding the remuneration of individuals with an impact on risk and risk management.

### The Nominations Committee

The Nominations Committee meets at least twice a year. Its main task is to recommend members for the Board of Directors. It is also in charge of the annual review of the Board of Directors, including its structure, membership, gender diversity and breadth of directors' knowledge, skills and experience. It submits nominations to the Board for Executive Directors, the Chief Executive Officer, Deputy Chief Executive Officers, Chief Risk Officer and Chief Compliance Officer.

## Senior management

### Managerial systems

In accordance with the CRD IV application order and 3 November decree on internal control, the duties of the Chairman and Chief Executive Officer are separate.

As of 31 December 2020, the company's Senior Management and de facto managers (within the meaning of Article L.511-13 of France's Monetary and Financial Code) are assumed under the responsibility of João Miguel Leandro, Chief Executive Officer, François Guionnet, Deputy Chief Executive Officer and VP Territories and Performance Division, and Jean-Marc Saugier, Deputy Chief Executive Officer and VP Finance and Treasury.

The Chief Executive Officer holds the broadest powers to act under any circumstances on the company's behalf, within the limits of the corporate object and conditional on those powers that the law expressly attributes to shareholders' meetings and the Board of Directors. He is authorized to grant sub delegations or substitutions of powers for one or more specific transactions or categories of transaction.

The Deputies Chief Executive Officer hold, as regards third parties, the same powers as the Chief Executive Officer.

### The Executive Committee

RCI Banque's Executive Committee contributes to the Group's direction of policy and strategy. It is the reference body which approve action plans when alert thresholds or limits are exceeded. It is also the body that makes trade-off decisions in case when risk reduction measures affect other company objectives. The Executive Committee oversees the activity and risks in accordance with the guidelines ("Risk Appetite Framework") laid down by the Board of Directors via the Risk Committee.

In addition, Senior Management relies in particular on the following committees to manage the group's risk control:

- the Financial Committee which reviews the following themes: economic analyses and forecasts, cost of the resource, liquidity risk, rate risk and counterparty risk on the group's various perimeters and subsidiaries. Changes in RCI Holding's balance sheet and profit & loss account are also analyzed to make necessary adjustments to intra-group transfer prices;
- the Capital and Liquidity Committee which steers the funding plan and ensures that the group's solvency level enables it to ensure its development while meeting the expectations of the various stakeholders (regulators, rating agencies, investors, shareholder) and maintaining good resilience to stress scenarios;
- the Credit Committee which validates commitments beyond the authority of subsidiaries and of the group's Head of commitments;
- the Credit Risk Committee. It assesses the quality of customer production and subsidiaries' performance as regards recovery and targets, and analyzes the cost of risk for the group and the main countries. On dealer network activity, it reviews changes in outstandings and stock rotation indicators as well as changes in the classification of dealerships and outstandings;
- the Regulatory Committee which reviews major changes in regulations, prudential oversight and action plans, and validates internal rating models and the associated management system;
- the Internal Control, Operational Risk and Ethics & Compliance Committee manages the whole of the group's internal control system, checks its quality and related mechanisms and adapts resources, systems and procedures. It details, runs and monitors the principles of the operational risk management policy and the principles of the compliance monitoring system. It monitors the progress in action plans. An Internal Control, Operational Risks and Compliance Committee operates in RCI Banque group subsidiaries;
- the New Product Committee which validates new products before they are put on the market, ensuring in particular that new products comply with the group's commercial policy, the group's budgetary requirements, legislation applicable locally, the protection of the client's interest and the group's risk governance;
- the IT Committee, which monitors major projects and validates IT guidelines, taking into account the associated risks.

At local level, the dedicated committees control the operational management of risks in line with the defined framework.

# 3 RISK PROFILE – RISK APPETITE STATEMENT

The risk profile is determined on the basis of all risks inherent in RCI Banque's activities in Europe and worldwide. These are identified in the group's risk mapping and are regularly assessed.

The risk profile is taken into account when working out and implementing rules on managing the said risks, more particularly to steer decision-making on risks in line with the Board of Directors' risk appetite level and RCI group strategy.

The risk profile is monitored through indicators and limits tracked once a quarter in the risk dashboard presented to the Executive Committee and to the Board of Directors' Risk Committee. In the event that the set limits are overrun, a specific action plan is put in place. Adjustments may be made to the risk appetite framework on an annual basis and particularly under the strategic plan elaboration process.

RCI Banque aims to support the business development of the Renault-Nissan-Mitsubishi Alliance's car brands, in particular through its key role in financing dealership networks and in developing customer loyalty. This is reflected in:

- Maintaining high levels of profitability and adequate solvency, which is the guarantee of the reliability of this commitment vis-à-vis the shareholder;
- A refinancing policy based on diversifying funding sources and on building up adequate liquidity reserves;
- Developing customer-oriented and multichannel financing and services offers that ensure a continuing relationship with customers, to meet their expectations and that enhance the group's public image.

A responsible and measured approach is in the center of a risk-taking decision process at RCI. The main risks are subject to a strict risk steering framework, in line with the risk appetite defined by the Board of Directors:

- the **solvency risk** is controlled with a view to maintaining:

**a)** a necessary security margin regarding prudential requirements, to reflect RCI high levels of profitability and capacity to adapt dividend paid to the single shareholder,

**b)** and an "investment grade" rating level by credit rating agencies.

- The **liquidity risk** is assessed and controlled monthly. It is managed in such a way as to ensure the company's continuity of business for a minimum period in various stress scenarios, including assumptions of financial market closure and mass withdrawals of deposits. A limit of 6 months' business continuity has been set for centrally funded subsidiaries (3 months for locally funded subsidiaries), with the associated alert thresholds set considerably over such levels;
- The **credit risk**:

**a)** The **retail and corporate customer** risk is monitored from both the portfolio and new business perspectives. Its management is based on tracking the cost of risk in relation to set targets, with strong monitoring of underwriting and collection particularly under stressed conditions,

**b)** The **wholesale** risk is controlled by monitoring the financial situation of dealers, thus contributing to the control of credit risk on outstandings, while ensuring the sustainability of dealer networks.

For both these risks, the target is to keep the overall cost of risk at a consolidated level below or equal to 1% of outstandings;

- The **residual value risk** is assessed and controlled in order to minimize potential losses on end-of-contracts sales. Specific monitoring and rules aim at mitigating the risk;
- The **interest-rate risk** is monitored daily and controlled by a sensitivity limit of €50 million if interest rate variation exceeds 100 basis points (parallel shift of the yield curve) or a rotation of more than 50 basis points around two years;
- **Operational risks** including risks of non-compliance (legal, tax, AML-CFT, fraud, reputational, IT, personal data protection, etc.) are covered by a relevant risk mapping, specific procedures and controls, and are subject to monitoring by dedicated committees. Reporting at Board of Directors' Risk Committee and/or Executive Board level ensures compliance with alert thresholds and limits, set in order to minimize any risk of penalties or harm to the company's image and reputation. Climate-related and environmental risks have been added to the RCI list of risks with Risk Appetite Framework under development.

# 4 STRESS TESTS

Stress tests or what-if analyses are a favored measurement of the resilience of the group, its activities and portfolios, and form an integral part of its risk management. Stress tests are based on hypothetical, harsh yet plausible economic scenarios.

**The stress tests process includes:**

- An overall annual stress exercise as part of the ICAAP process (Internal Capital Adequacy Assessment Process). It covers all of the group's activities and in 2020 was based on four main scenarios: a central scenario based on the budget trajectory, a macro-economic stress scenario, and two internal stress scenarios to which a combined scenario was added. Projections of potential losses in respect of the establishment's risks are estimated over a three-year period;
- Liquidity stress tests ensure that the time frame in which the group can continue to operate is assured in a stressed market environment;
- Stress tests capturing the group's sensitivity to interest rate and foreign exchange risks. Interest rate risk is measured with the aid of yield curve translation and distortion scenarios;
- Stress tests designed by the EBA (European Banking Authority) or conducted within the supervisory framework of the ECB (European Central Bank) on the basis of a methodology common to the participating banks.

# 5 REMUNERATION POLICY

The remuneration policy for individuals whose professional activities have a significant impact on RCI Banque's risk profile is presented to and approved by the Remuneration Committee and the Board of Directors.

The Remuneration Committee met two times in 2020. As at 31 December 2020, the members of the Remuneration Committee were C. Delbos, P. Buros and I. Landrot.

The fixed component of pay reflects the level of responsibility of the position held. The variable component of the pay is intended to reward the performance achieved. This variable component depends heavily on the consolidated financial and commercial results achieved by the RCI Banque group. The variable component of remuneration is capped at a percentage of the fixed salary. This percentage is always lower than 100% or equal to 100%, so RCI Banque complies with regulations on variable remuneration.

The criteria used to measure performance for the fiscal year 2020 are: the group's consolidated operating margin and the operating margin per country; the sales margin on new financing and services contracts, measured per country and on a consolidated basis; the group operating ratio; the actions dashboard per country; the group ROE; the RORWA measured per country and on a consolidated basis; the RCS KPI "Risks/Compliance/Security", which measures the completion of actions related to Risks, Compliance and Security per country and on a consolidated basis, under control of Corporate Internal Control Direction; the individual contribution to specific objectives assessed by the employee's line manager. Several of those criteria have been introduced for fiscal year 2020, in order to better take into account the different stakes of the group in the variable remuneration scheme compared to previous years.

In 2020, 91 individuals had significant impact on the risk profile. Their fixed pay in 2020 came to a total of €11,101,693. Their variable pay in 2020 totaled €2,974,485, representing 26,79% of total fixed salary, and 21,13% of aggregate fixed and variable salaries.

RCI Banque's activities relate exclusively to car finance and services. It is a field of business in which sub-fields of business have no significant differences. In addition, remuneration policy is the same across the whole RCI Banque perimeter. Consequently, it is not necessary to break down these amounts per field of business.

According to the type of position, these remunerations breaks down as follows:

- Executive Committee: total fixed remuneration = €2,050,487; total variable remuneration = €663,132;
- Control functions: total fixed remuneration = €919,802; total variable remuneration = €219,639;
- Corporate functions excluding Executive Committee and control: total fixed remuneration = €922,431; total variable remuneration = €306,858;
- Other positions: total fixed remuneration = €7,208,973; total variable remuneration = €1,784,856.

In 2020, the members of RCI Banque's Board of Directors did not receive remuneration for their duties.

No employee receives an annual salary of more than €1,000,000.

RCI Banque does not award shares or stock options.

Part of the variable pay awarded to individuals whose professional activities have a significant impact on RCI Banque's risk profile is deferred over a three-year period beyond the first payment, which is itself made at the end of the baseline financial year.

This policy of spreading the variable component of pay over a certain number of years was introduced by RCI Banque from the 2016 financial year onwards, with its first implementation at the end of that financial year, in early 2017.

Pursuant to Directive 2013/36/EU and in view of the principle of proportionality, RCI Banque has then decided that:

- The policy of spreading variable remuneration over a certain number of years shall only apply to beneficiaries eligible for variable remuneration of more than €50,000;

- Depending on the amount of variable remuneration for which the beneficiary is eligible, the following rules shall apply:
  - From €50,001 to €83,300: the amount of variable remuneration over and above €50,000 to which the beneficiary is entitled shall be deferred over a three-year period,
  - Over €83,300: 40% of the variable remuneration shall be deferred over a three-year period;
- One third of the deferred amount may be released in each of the three years in that period provided that RCI Banque has achieved a certain level of Pre-Tax Income, expressed as a percentage of average performing outstandings:
- Likewise, for the 2016 and 2017 financial years, the amount paid up over each of the three years of deferred is paid 50% in cash and 50% by payment of funds into a Subordinate Term Account;
- On the other hand, as from the 2018 financial year, the amount paid up over each of the three years of deferred is paid in full by the payment of funds into a Subordinate Term Account. This adjustment of the arrangement, intended to simplify it, was enacted by the Remunerations Committee at its meeting on 25 June 2018.

In the event that a serious event affecting RCI Banque's solvency occurs, in accordance with current legislation and regulations, the beneficiary may see the value of the funds allocated to the Subordinated Term Account reduced to zero and the related remuneration definitively lost. In such an event therefore, withdrawal of funds at the end of the retention period is impossible, and no remuneration will be payable.

The Subordinated Term Account shall be fully deleted and its repayment value reduced to zero should any of the following events occur:

- If the CET1 solvency ratio, defined according to the terms of Article 92 (1) (a) of the CRR, is less than 7%;
- If the banking regulator starts resolution proceedings against RCI Banque.

Lastly, if the beneficiary is the subject of an investigation and/or disciplinary proceedings into a potential breach or action or misconduct that could have impacted directly or indirectly on RCI Banque's Pre-Tax Income or Operating Margin, or that might indicate a lack of fitness or propriety, allocation of the deferred amount shall be suspended until such time as the findings of the investigation or disciplinary proceedings are known. If no breach or misconduct is identified and no sanctions imposed, the beneficiary's eligibility for the deferred remuneration will be maintained. If a breach or misconduct is identified and sanctions imposed, then the beneficiary will no longer be eligible for that deferred remuneration.

Thus, in light of the RCI Banque group's internal organization and the nature, scope and low complexity of its activities, RCI Banque has put in place since 2016 a remuneration policy that guarantees a principle of deferred and conditional payment for individuals whose professional activities have a significant impact on the risk profile. This principle will be re-assessed on a regular basis in the event that exposure to risks changes.

As from the 2021 fiscal year, this policy of spreading variable remuneration over a certain number of years will be updated in order to comply with modifications of Directive 2013/36/UE resulting from Directive (UE) 2019/878 and applicable from 29 December 2020.

At end 2020, in application of the above provisions, the deferred remuneration situation is as follows:

- For the 2016 financial year, deferred amounts determined in 2017 represented a total deferred of €313,017, spread over 2018, 2019 and 2020. Of that total, amounts that could be paid in 2018, 2019 and 2020 conditional on confirmation were paid in full. The amount that remains deferred for the 2016 financial year is now zero;
- For the 2017 financial year, amounts determined in 2018 represented a total deferred of €453,194, spread over 2019, 2020 and 2021. Of that total, amounts that could be paid in 2019 and 2020 conditional on confirmation were paid in full and represent a sub-total of €302,129. The amount that remains deferred after 2020 for the 2017 financial year is €151,065;
- For the 2018 financial year, amounts determined in 2019 represented a total deferred of €511,589, spread over 2020, 2021 and 2022. Of that total, amounts that could be paid in 2020 conditional on confirmation were paid in full and represent a sub-total of €170,530. The amount that remains deferred after 2020 for the 2018 financial year is €341,059;
- For the 2019 financial year, amounts determined in 2020 represented a total deferred of €510,549, spread over 2021, 2022 and 2023;
- Thus, at end 2020, there remains no deferred amount for the 2016 financial year, and for the whole of the 2017, 2018 and 2019 financial years, amounts deferred after 2020 represent a total of €1,002,673.

During the 2020 financial year, among the people whose work has a significant impact on RCI Banque's risk profile, one person benefitted from a golden hello, for a total amount of €365,000.

Additionally, of the people whose work has a significant impact on RCI Banque's risk profile, there was no golden handshake in 2020.

# III CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

## 1 APPLICABILITY – PRUDENTIAL SCOPE

The prudential scope used to calculate the solvency ratio is the scope of consolidation described in the IFRS notes to the financial statements, with the exception of the exemptions described below in respect of CRR prudential consolidation methods.

RCI Banque has not opted for the so-called “conglomerates” option; therefore the solvency ratio is calculated “exclusive of insurance”, eliminating the group insurance companies’ contributions from the numerator and the denominator.

Exemptions in respect of chapter 2 section 2 of the CRR (regulatory consolidation):

Insurance companies based in Malta are recognized by the equity method, in accordance with Article 18.5 of the CRR.

Furthermore, entities consolidated for accounting purposes by the proportional consolidation method before application of IFRS 11 and now deemed consolidated for accounting purposes by the equity method, remain prudentially consolidated by the proportional consolidation method in accordance with Article 18.4 of the CRR. Information on these entities and their consolidation method for accounting purposes is presented in Note 8 to the consolidated financial statements.

With regard to liquidity ratios, only entities fully consolidated within the prudential scope are retained, in accordance with Article 18.1 of the CRR.

The main difference between the two scopes is explained by the change in consolidation method for the Turkish entity, recognized by the equity method for accounting purposes and by the proportional consolidation method for regulatory purposes, as well as by the group’s insurance companies, which are fully consolidated for accounting purposes but recognized by the equity method for regulatory purposes.

Both the accounting and prudential scopes of consolidation hold the same entities and the differences in methods of consolidation have no impact on the different entries in equity. Therefore no difference is to be noticed between the two scopes of consolidation regarding the different items present in equity.

### III-1 LI1 – DIFFERENCES BETWEEN ACCOUNTING AND REGULATORY SCOPES OF CONSOLIDATION AND MAPPING OF FINANCIAL STATEMENT CATEGORIES WITH REGULATORY RISK CATEGORIES

| *In millions of euros* | Carrying values in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items subject to: | | | | |
|---|---|---|---|---|---|---|---|
| | | | Credit risk framework | Counterparty credit risk framework | Securitisation framework | Market risk framework | Not subject or deduction from capital |
| **Assets** | | | | | | | |
| Cash and balances at central banks | 7,299 | 7,299 | 7,299 | | | | |
| Derivatives | 230 | 230 | | 230 | | | |
| Financial assets at fair value through other comprehensive income | 649 | 484 | 484 | | | | |
| Financial assets at fair value through profit or loss | 219 | 219 | 194 | | | | 25 |
| Financial assets at amortised cost | | | | | | | |
| Amounts receivable from credit institutions | 1,232 | 1,203 | 1,203 | | | | |
| Loans and advances to customers | 46,222 | 46,438 | 46,454 | | | | (16) |
| Current tax assets | 165 | 26 | 26 | | | | |
| Deferred tax assets | 188 | 145 | 140 | | | | 5 |
| Adjustment accounts & miscellaneous assets | 973 | 926 | 902 | | | | 24 |
| Non-current assets held for sale | | | | | | | |
| Investments in associates and joint ventures | 129 | 222 | 222 | | | | |
| Operating lease transactions | 1,418 | 1,418 | 1,418 | | | | |
| Tangible and intangible non-current assets | 83 | 83 | 76 | | | | 6 |
| Goodwill | 79 | 79 | | | | | 79 |
| **TOTAL ASSETS** | **58,886** | **58,773** | **58,419** | **230** | | | **124** |

| *In millions of euros* | Carrying values in published financial statements | Carrying values under scope of regulatory consolidation | Carrying values of items subject to: Credit risk framework | Counterparty credit risk framework | Securitisation framework | Market risk framework | Not subject or deduction from capital |
|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | |
| Central Banks | 2,250 | 2,250 | | | | | 2,250 |
| Derivatives | 84 | 84 | | 0 | | | 84 |
| Financial liabilities at fair value through profit or loss | | | | | | | |
| Amounts payable to credit institutions | 2,302 | 2,302 | | | | | 2,302 |
| Amounts payable to customers | 21,540 | 22,029 | 22 | | | | 22,007 |
| Debt securities | 21,991 | 21,991 | | | | | 21,991 |
| Current tax liabilities | 167 | 78 | | | | | 78 |
| Deferred tax liabilities | 587 | 586 | | | | | 586 |
| Adjustment accounts & miscellaneous liabilities | 2,151 | 2,100 | 78 | | | | 2,022 |
| Non-current liabilities held for sale | | | | | | | |
| Provisions | 190 | 189 | | | | | 189 |
| Insurance technical provisions | 461 | | | | | | |
| Subordinated debt – Liabilities | 890 | 890 | | | | | 890 |
| Equity | 6,273 | 6,273 | | | | | 6,273 |
| **TOTAL LIABILITIES** | **58,886** | **58,773** | **100** | **0** | | | **58,673** |

## III-2 LI2 – MAIN SOURCES OF DIFFERENCES BETWEEN REGULATORY EXPOSURE AMOUNTS AND CARRYING VALUES IN FINANCIAL STATEMENTS

| *In millions of euros* | Total | Items subject to: Credit risk framework | Counterparty credit risk framework | Securitisation framework | Market risk framework |
|---|---|---|---|---|---|
| Asset carrying value amount under scope of regulatory consolidation | 58,649 | 58,419 | 230 | | |
| Liabilities carrying value amount under regulatory scope of consolidation | 100 | 100 | 0 | | |
| **TOTAL NET AMOUNT UNDER REGULATORY SCOPE OF CONSOLIDATION** | **58,549** | **58,319** | **230** | | |
| Off-balance sheet amounts | 987 | 987 | | | |
| Differences in valuations | 88 | (25) | 113 | | |
| Differences due to different netting rules, other than those already included in row 2 | (805) | (805) | | | |
| Differences due to consideration of provisions | 778 | 778 | | | |
| Differences due to prudential filters | | | | | |
| **EXPOSURE AMOUNTS CONSIDERED FOR REGULATORY PURPOSES** | **59,597** | **59,254** | **343** | | |

### III-3 LI3 – OUTLINE OF THE DIFFERENCES IN THE SCOPES OF CONSOLIDATION (ENTITY BY ENTITY)

| Name of the entity | Method of accounting consolidation | Method of regulatory consolidation: Full consolidation | Proportional consolidation | Neither consolidated nor deducted | Deducted | Description of the entity |
|---|---|---|---|---|---|---|
| RCI Financial Services B.V. | Full consolidation | X | | | | Finance and services company |
| RCI Finance S.A. | Full consolidation | X | | | | Credit institution |
| RCI Versicherungs-Service GmbH | Full consolidation | X | | | | Insurance Brokers |
| Courtage S.A. | Full consolidation | X | | | | Insurance Brokers |
| RCI Financial Services Ltd | Full consolidation | X | | | | Credit institution |
| RCI Zrt | Full consolidation | X | | | | Credit institution |
| RCI Finance Maroc S.A. | Full consolidation | X | | | | Credit institution |
| RNL Leasing | Full consolidation | X | | | | Finance and services company |
| RDFM S.A.R.L. | Full consolidation | X | | | | Insurance Brokers |
| RCI Broker de asigurare S.R.L. | Full consolidation | X | | | | Insurance Brokers |
| RCI Finance C.Z., S.r.o. | Full consolidation | X | | | | Finance and services company |
| RCI Financial Services Korea Co. Ltd | Full consolidation | X | | | | Credit institution |
| RCI Gest Seguros - Mediadores de Seguros Lda | Full consolidation | X | | | | Insurance Brokers |
| RCI Finantare Romania S.r.l. | Full consolidation | X | | | | Finance and services company |
| Corretora de Seguros RCI Brasil S.A. | Full consolidation | X | | | | Insurance Brokers |
| Banco RCI Brasil S.A. | Full consolidation | X | | | | Credit institution |
| Rombo Compania Financiera S.A. | Full consolidation | X | | | | Credit institution |
| Diac Location S.A. | Full consolidation | X | | | | Finance and services company |
| RCI Banque S.A. | Full consolidation | X | | | | Credit institution |
| RCI Banque S.A. Niederlassung Deutschland | Full consolidation | X | | | | Credit institution |
| RCI Banque S.A. Succursale Italiana | Full consolidation | X | | | | Credit institution |
| RCI Banque Sucursal Argentina | Full consolidation | X | | | | Credit institution |
| RCI Banque S.A. Sucursal Portugal | Full consolidation | X | | | | Credit institution |
| RCI Banque S.A. Bančna podružnica Ljubljana | Full consolidation | X | | | | Credit institution |
| RCI Banque S.A. Sucursal En España | Full consolidation | X | | | | Credit institution |

| Name of the entity | Method of accounting consolidation | Method of regulatory consolidation: Full consolidation | Proportional consolidation | Neither consolidated nor deducted | Deducted | Description of the entity |
|---|---|---|---|---|---|---|
| Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike | Full consolidation | X | | | | Credit institution |
| RCI Banque S.A. Niederlassung Österreich | Full consolidation | X | | | | Credit institution |
| RCI Banque, Branch Ireland | Full consolidation | X | | | | Credit institution |
| RCI Banque Spólka Akcyjna Oddzial w Polsce | Full consolidation | X | | | | Credit institution |
| RCI Bank UK | Full consolidation | X | | | | Credit institution |
| Diac S.A. | Full consolidation | X | | | | Credit institution |
| Autofin S.A. | Full consolidation | X | | | | Finance and services company |
| RCI Financial Services S.A. | Full consolidation | X | | | | Finance and services company |
| RCI Leasing Polska Sp. z o.o. | Full consolidation | X | | | | Finance and services company |
| RCI Financial Services, S.r.o. | Full consolidation | X | | | | Finance and services company |
| Renault Crédit Car S.A. | Equity method | | | X | | Finance and services company |
| Administradora de Consórcio RCI Brasil Ltda | Full consolidation | X | | | | Credit institution |
| Overlease S.A. | Full consolidation | X | | | | Finance and services company |
| RCI Services Ltd | Full consolidation | | | X | | Insurance company |
| RCI Insurance Ltd | Full consolidation | | | X | | Insurance company |
| RCI Life Ltd | Full consolidation | | | X | | Insurance company |
| ES Mobility S.R.L. | Full consolidation | X | | | | Finance and services company |
| ORFIN Finansman Anonim Sirketi | Equity method | | X | | | Credit institution |
| RN SF BV | Equity method | | | X | | Credit institution |
| RCI Services Algérie S.A.R.L. | Not consolidated | | | X | | Finance and services company |
| RCI Financial Services Ukraine LLC | Not consolidated | | | X | | Finance and services company |
| RCI Finance SK S.r.o. | Not consolidated | | | X | | Finance and services company |
| RCI Servicios Colombia S.A. | Full consolidation | | | X | | Finance and services company |

| Name of the entity | Method of accounting consolidation | Method of regulatory consolidation: Full consolidation | Proportional consolidation | Neither consolidated nor deducted | Deducted | Description of the entity |
|---|---|---|---|---|---|---|
| RCI Usluge d.o.o | Not consolidated | | | X | | Finance and services company |
| Overlease in Liquidazione S.R.L. | Not consolidated | | | X | | Finance and services company |
| RCI Services, d.o.o. | Not consolidated | | | X | | Finance and services company |
| ORF Kiralama Pazarlama ve Pazarlama Danismanligi A.S. | Not consolidated | | | X | | Finance and services company |
| RCI Brasil Serviços e Participações Ltda | Full consolidation | | | X | | Finance and services company |
| RCI Services KFT | Not consolidated | | | X | | Finance and services company |
| RCI Insurance Service Korea Co. Ltd | Not consolidated | | | X | | Insurance Brokers |
| Nissan Renault Financial Services India Private Limited | Equity method | | | X | | Finance and services company |
| RCI Lizing d.o.o. | Not consolidated | | | X | | Credit institution |
| RCI Colombia S.A. Compania de Financiamiento | Full consolidation | X | | | | Credit institution |
| Bulb Software Ltd | Not consolidated | | | X | | Comercial society |
| RCI COM SA | Full consolidation | X | | | | Comercial society |
| RCI Bank Uk Limited | Full consolidation | X | | | | Credit institution |
| RCI Leasing Romania IFN S.A. | Full consolidation | X | | | | Credit institution |

# 2 SOLVENCY RATIO

## Solvency ratio (own funds and requirements)

In September 2007 the French Prudential Supervision and Resolution Authority granted RCI Banque individual exemptions from solvency ratio compliance for French credit institutions Diac SA and RCI Banque S.A., as the exemption conditions imposed by Article 4.1 of CRBF regulation 2000-03 were met by the group.

The switch to Directive 2013/36/EU (CRD IV) does not call into question the individual exemptions granted by the French Prudential Supervision and Resolution Authority before 1st January 2014, on the basis of previous regulatory provisions.

RCI Banque still complies with the framework of requirements provided in Article 7.3 of the CRR:

- There is no impediment to the transfer of own funds between subsidiaries;
- The risk measuring and control systems within the meaning of the ministerial order of 3 November 2014 on internal control are implemented on a consolidated basis, subsidiaries included.

Accordingly, the RCI Banque group is exempted from compliance on an individual basis with the solvency ratio for each of its French finance companies. However, it monitors changes in this ratio at group consolidated level every month.

The overall "Pillar I" solvency ratio came to 19.83% at 31 December 2020 (of which Core Tier one was 17.34%) against 17.73% at 31 December 2019 (of which Core Tier one was 15.27%). These ratios include profit for 2020, net of dividends that RCI Banque plans to pay to its shareholder, thus explaining the increase of €691 million (of which €6 million of T2) in regulatory equity. Risk Exposure Amounts are fairly stable.

Due to the current Covid-19 crisis, the planned dividend has been calculated in line with guideline ECB 2020/35 of 15 December 2020. For RCI Banque, this equals to 20 bp of the CET1 solvency ratio, i.e. €69 million. Subject to the withdrawal of the regulatory constraints, RCI Banque plans to pay a €930 million dividend to its shareholder, that would impact the solvency ratio by -2.7 points.

Prudential own funds are determined in accordance with Regulation (EU) 575/2013 concerning prudential requirements applying to credit institutions and investment firms (CRR).

At end-December 2020, RCI Banque must apply the following capital buffers:

- a capital conservation buffer of 2.5% of total risk-weighted exposures;
- a countercyclical capital buffer applied to some countries as described in CCC1 table below.

### Notification by the ECB of the Supervisory Review and Evaluation Process (SREP) decision

At the end of the year 2019, the European Central Bank has notified to RCI Banque its decision regarding the level of additional capital requirement under Pillar 2 (P2R – "Pillar 2 Requirement"). It is set for 2020 at 2%, applicable from 1st January 2020.

As the European Central Bank has adopted a pragmatic approach to the SREP 2020 cycle given the context of the pandemic and the unique economic and financial situation, this decision remains in force in 2021.

### Minimum requirement for own funds and eligible liabilities (MREL)

RCI Banque received, in 2020, a decision from the Single Resolution Board (SRB) on minimum requirement for own funds and eligible liabilities (MREL) determination. Those requirements have been set at 8% of risk weighted assets (TREA) and 3% of leverage ratio exposure (LRE) and are individual requirements for RCI Banque and DIAC. RCI Banque didn't provide any comments on this decision during the right to be heard consultation and received the final notification from ACPR. RCI Banque complies with these MREL requirements. Future requirements will be subject to ongoing review.

### III-4 CCC1 – GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION ON THE COUNTERCYCLICAL CAPITAL BUFFER.

| | General credit exposures | | Trading book exposure | | Securitisation exposure | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Exposure value for SA | Exposure value IRB | Sum of long and short position of trading book | Value of trading book exposure for internal models | Exposure value for SA | Exposure value for IRB |
| **BREAKDOWN BY COUNTRY** | | | | | | |
| Argentina | 142 | | | | | |
| Austria | 613 | | | | | |
| Belgium | 269 | | | | | |
| Brazil | 1,603 | | | | | |
| Swiss | 809 | | | | | |
| Czech Republic | 180 | | | | | |
| Germany | 649 | 8,114 | | | | |
| Spain | 372 | 3,944 | | | | |
| France | 1,640 | 15,346 | | | | |
| Great-Britain | 628 | 3,809 | | | | |
| Hungary | 46 | | | | | |
| Ireland | 394 | | | | | |
| India | 31 | | | | | |
| Italy | 622 | 5,312 | | | | |
| South Korea | 45 | 1,606 | | | | |
| Luxembourg | 70 | | | | | |
| Morocco | 526 | | | | | |
| Malta | 114 | | | | | |
| Netherlands | 717 | | | | | |
| Norway | | | | | | |
| Poland | 692 | | | | | |
| Portugal | 670 | | | | | |
| Romania | 348 | | | | | |
| Russia | 1 | | | | | |
| Sweden | 134 | | | | | |
| Slovenia | 255 | | | | | |
| Slovakia | 17 | | | | | |
| Turkey | 210 | | | | | |
| United States | | | | | | |
| Colombia | 590 | | | | | |
| Croatia | 3 | | | | | |
| Other countries | | | | | | |
| **TOTAL ALL COUNTRIES** | **12,390** | **38,132** | | | | |

In accordance with the method used to calculate the countercyclical capital buffer, only the own funds requirements stipulated under Article 140(4) of CRD IV are included.

| Own funds requirements | | | | | |
|---|---|---|---|---|---|
| Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | Own funds requirement weights | Countercyclical capital buffer rate |
| | | | | | |
| 11 | | | 11 | 0.00 | |
| 38 | | | 38 | 0.02 | |
| 21 | | | 21 | 0.01 | |
| 106 | | | 106 | 0.04 | |
| 49 | | | 49 | 0.02 | |
| 11 | | | 11 | 0.00 | 0.50% |
| 262 | | | 262 | 0.11 | |
| 204 | | | 204 | 0.09 | |
| 805 | | | 805 | 0.34 | |
| 204 | | | 204 | 0.09 | |
| 4 | | | 4 | 0.00 | |
| 25 | | | 25 | 0.01 | |
| 6 | | | 6 | 0.00 | |
| 257 | | | 257 | 0.11 | |
| 66 | | | 66 | 0.03 | |
| 6 | | | 6 | 0.00 | 0.25% |
| 32 | | | 32 | 0.01 | |
| 23 | | | 23 | 0.01 | |
| 56 | | | 56 | 0.02 | |
| | | | | | 1.00% |
| 42 | | | 42 | 0.02 | |
| 46 | | | 46 | 0.02 | |
| 20 | | | 20 | 0.01 | |
| 0 | | | 0 | 0.00 | |
| 11 | | | 11 | 0.00 | |
| 16 | | | 16 | 0.01 | |
| 1 | | | 1 | 0.00 | 1.00% |
| 13 | | | 13 | 0.01 | |
| | | | | | |
| 36 | | | 36 | 0.02 | |
| 0 | | | 0 | 0.00 | |
| | | | | | |
| **2,372** | | | **2,372** | **1.00** | **0.00%** |

#### III-5 CCC2 – AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

| *In millions of euros* | Amounts |
|---|---|
| Total risk exposure amount | 34,702 |
| Institution specific countercyclical buffer rate | 0.00% |
| Institution specific countercyclical buffer requirement | 1 |

RCI Banque is not subject to the buffer required for systemically important institutions (Article 131 of the CRD IV), nor to the systemic risk requirement (Article 133 of the CRD IV).

# 3 OWN FUNDS

## Common Equity Tier One ("CET 1")

Common Equity Tier 1 capital comprises share capital and the related share premiums, reserves, non-distributed net profit after tax and accumulated other comprehensive income and minority interests. The amount of equity on the prudential scope of consolidation is identical to that of the accounting scope of consolidation.

This amount of own funds is diminished by the taking into account of the forecast dividend attributable to the profits of year 2020 of €69 million.

Concerning the minority interests, in line with article 84.2 of CRR, RCI Banque chose not to undertake the calculation in article 84.1 for the subsidiaries referred to in article 81.1. Consequently, no minority interests are included in consolidated Common Equity Tier 1 Capital.

As well as the above, are deducted from own funds the following prudential filters:

- Exclusion of fair value reserves related to gains and losses on cash flow hedges;
- Exclusion of gains and losses recognized by the institution from valuing liabilities at fair value that are due to changes in the institution's credit standing;
- Deduction of deferred tax assets that depend on future profits (reported in the "Deferred tax assets" field of LI1);
- Intangible assets (reported in the "Tangible and intangible non-current assets" field of LI1) net of associated deferred tax liabilities;
- Consolidated goodwill (reported in the "Goodwill" field of LI1);
- Prudential valuation adjustments (PVA). Total assets & liabilities valued at fair value represent less than €15 billion, RCI applies the simplified method to calculate this additional adjustment to own equity;
- Irrevocable payment commitments and certificates of association pledged to Single Resolution Funds and Deposit Guarantee and Resolution Funds (reported in both "Financial assets at fair value through other comprehensive income" and "Adjustment accounts & miscellaneous assets" fields of LI1).

Shareholdings of more than 10% in financial sector entities and deferred tax assets dependent on future profits linked to temporary differences are lower, after application of the threshold, than the twofold common deductible of 17.5% and are therefore weighted by 250% in assets.

No phase-in is applied in 2020.

RCI Banque's CET1 core capital represents 87.5% of total prudential capital at end December 2020 against 86.2% at end 2019, due to the increase of CET1 own funds, partially compensated by the issuance of a T2 subordinated security in Morocco of €6.3 million.

Category 1 capital increased by €685 million compared to 31 December 2019 to €6,017 million, RCI Banque having included the result for 2020 net of the dividends that RCI Banque plans to pay to its shareholder on the results of FY 2020.

## Additional Tier 1 capital ("AT1")

This comprises capital instruments, which are free of any repayment incentive or obligation (in particular jumps on yield), as described in Articles 51 and 52 of the CRR.

The RCI Banque group holds no such instruments.

## Common Equity Tier 2 ("CET 2")

This includes subordinated debt instruments with a minimum term of five years without advance repayment during these first five years, as described in Articles 62 and 63 of the CRR.

These instruments are written down during the five-year period preceding their term.

The RCI Banque group classified €7 million of Diac equity securities in this category at the end of December 2019, the subordinated bond issued in November 2020 for €850 million, as well as the subordinated security issued by RCI Finance Maroc SA in December 2020 for €6.3 million.

In line with the public guidance on the revision of the classification of equity instruments as Additional Tier 1 and Tier 2 instruments, published in June 2016, RCI Banque informed its Joint Supervisory Team (JST) that the Bank issued a new T2 instrument pursuant to Article 63 of CRR.

## III-6 MAIN CHARACTERISTICS OF EQUITY INSTRUMENTS

Tier 1 equity instruments

| Main features | Relevant information |
|---|---|
| Issuer | RCI Banque S.A. |
| Governing law(s) of the instrument | French Law |
| Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated | Eligible at consolidated level (RCI Banque) |
| Instrument type | Shares |
| Amount recognized in regulatory capital | €814.4 million of which €714.4 million of attributed share premiums |
| Nominal amount of instrument | Capital of €100 million divided in 1 million share of €100 each. |
| Issue price | NA |
| Redumption price | NA |
| Acounting classification | Share capital and attributable reserves |
| Original date of issuance | 9 August 1974 |
| Perpetual or dated | Dated (21 August 2073) |
| Call option for issuer subject to prior supervisory approval | NA |
| Fixed or floating dividend/coupon | Dividend |
| Coupon rate and any related index | NA |
| Existence of a dividend stopper | No |
| Fully discretionary, partially discretionary or mandatory (in terms of timing) | Fully discretionay |
| Fully discretionary, partially discretionary or mandatory (in terms of amount) | Fully discretionay |
| Existence of step up or other incentive to redeem | No |
| Non-cumulative or cumulative | Cumulative |
| Convertible or non-convertible | Non-convertible |
| Reduction features | |
| If reduction, reduction trigger(s) | Equity less than half of the company's share capital. (Article L.225-248 of the French Commercial Code) |
| If reduction, full or partial | Partial |
| If reduction, permanent or temporary | Permanent |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Last rank |
| Non-compliant transition features (Yes/No) | No |

Tier 2 equity instruments

| Features | Relevant information |
|---|---|
| Issuer | DIAC S.A. |
| Unique identifier | FR0000047821 |
| Governing law(s) of the instrument | French |
| Eligible at solo/(sub-)consolidated or combined | Eligible at consolidated level (RCI Banque) |
| Instrument type | T2 |
| Amount recognized in regulatory capital | €7 million |
| Nominal amount of instrument | FRF1,000 or €152.45 |
| Accounting classification | Subordinated debt |
| Original date of issuance | 1st April 1985 |
| Perpetual or dated | Perpetual |
| Issuer call subject to prior supervisory approval | None |
| Fixed or floating dividend/coupon | Floating coupon |
| Coupon rate and any related index | Based on the net result, with a minimum of the TAM (floored at 6.5%) and 130% of the TAM |
| Existence of step up or other incentive to redeem | No step up or incentive to redeem |
| Convertible or non-convertible | Non-convertible |
| Write-down features | None |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinated bonds with no enhancement clause. Participating loan stocks are junior to senior debt of the issuer. In the event of company liquidation, notes shall be repaid after the payment of all other liabilities. |

| Features | Relevant information |
|---|---|
| Issuer | RCI Banque S.A. |
| Unique identifier | FR0013459765 |
| Governing law(s) of the instrument | French |
| Eligible at solo/(sub-)consolidated or combined | Eligible at consolidated level (RCI Banque) |
| Instrument type | T2 |
| Amount recognized in regulatory capital | €850 million |
| Nominal amount of instrument | €100,000 |
| Accounting classification | Subordinated debt |
| Original date of issuance | 18 November 2019 |
| Perpetual or dated | 18 February 2030 |
| Issuer call option | Call option at 18 February 2025 |
| Fixed or floating dividend/coupon | Fixed coupon |
| Coupon rate and any related index | 2.625% |
| Existence of step up or other incentive to redeem | If the call option is not exercised, the coupon rate is adjusted to a 5-Year Mid-Swap Rate of +2.85% |
| Convertible or non-convertible | Non-convertible |
| Write-down features | None |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinated bonds with no enhancement clause. Subordinated bonds are junior to senior debt of the issuer. In the event of company liquidation, notes shall be repaid after the payment of all other liabilities. |

| Features | Relevant information |
|---|---|
| Issuer | RCI Finance Maroc |
| Unique identifier | MA000009493 0 |
| Governing law(s) of the instrument | Moroccan |
| Eligible at solo/(sub-)consolidated or combined | Eligible at consolidated level (RCI Banque) |
| Instrument type | T2 |
| Amount recognized in regulatory capital | MAD68 million/€6.2 million |
| Nominal amount of instrument | MAD100,000/€9,144 |
| Accounting classification | Subordinated debt |
| Original date of issuance | 30 December, 2020 |
| Perpetual or dated | 30 December, 2030 |
| Issuer call option | Call option from the fifth year, at each anniversary date of the Issue Date |
| Fixed or floating dividend/coupon | Floating coupon |
| Coupon rate and any related index | 3.29% (52-week Morrocan Treasury Bill +170 bp) |
| Existence of step up or other incentive to redeem | No |
| Convertible or non-convertible | Non-convertible |
| Write-down features | None |
| Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinated bonds with no enhancement clause. Subordinated bonds are junior to senior debt of the issuer. In the event of company liquidation, notes shall be repaid after the payment of all other liabilities. |

By the same token, the negative difference between the balance of provisions and expected losses is deducted from equity, within the framework of the advanced approach to credit risk. When expected losses are lower than value adjustments and collective impairments, the balance is added to additional equity up to 0.6% of the weighted risks of exposures treated by the "internal rating" method.

No amount is added as such to Tier 2 capital at the end of December 2020.

No transitional filter is applied to Tier 2 equity for the RCI group.

### III-7 FP1 – BREAKDOWN OF REGULATORY CAPITAL BY CATEGORY

| *In millions of euros* | Amount at disclosure date | Regulation (EU) no. 575/2013 reference | Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no. 575/2013 |
|---|---|---|---|
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Capital instruments and the related share premium accounts | 814 | 26 (1), 27, 28, 29, EBA list 26 (3) | |
| *Of which: Ordinary shares* | *100* | *EBA list 26 (3)* | |
| *Of which: Instrument type 2* | *714* | *EBA list 26 (3)* | |
| *Of which: Instrument type 3* | | *EBA list 26 (3)* | |
| Retained earnings | 2, 466 | 26 (1) (c) | |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 2, 192 | 26 (1) | |
| Funds for general banking risk | | 26 (1) (f) | |
| Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1 | | 486 (2) | |
| Public sector capital injections grandfathered until 1st January 2018 | | 483 (2) | |
| Minority Interests (amount allowed in consolidated CET1) | | 84, 479, 480 | |
| Independently reviewed interim profits net of any fore- seeable charge or dividend | 718 | 26 (2) | |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL BEFORE REGULATORY ADJUSTMENTS** | **6, 191** | | |
| **Common Equity Tier 1 capital: instruments and reserves** | | | |
| Additional value adjustments (-) | (50) | 34, 105 | |
| Intangible assets (net of related tax liability) (-) | (84) | 36 (1) (b), 37, 472 (4) | |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (-) | (5) | 36 (1) (c), 38, 472 (5) | |
| Fair value reserves related to gains or losses on cash flow hedges | 22 | 33 (a) | |
| Negative amounts resulting from the calculation of expected loss amounts | (64) | 36 (1) (d), 40, 159, 472 (6) | |
| Any increase in equity that results from securitised assets (-) | | 32 (1) | |
| Gains or losses on liabilities valued at fair value resulting from changes in own credit standing | 7 | 33 (b) | |
| Defined-benefit pension fund assets (-) | | 36 (1) (e), 41, 472 (7) | |
| Direct and indirect holdings by an institution of own CET1 instruments (-) | | 36 (1) (f), 42, 472 (8) | |
| Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-) | | 36 (1) (g), 44, 472 (9) | |
| Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a investment in those entities (<10% threshold and net of eligible short positions) (-) | | 36(1)(h),43,45, 46,49(2)(3),79, 472(10) | |
| Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a investment in those entities (<10% threshold and net of eligible short positions) (-) | | 36-1,43,45, 47,48-1,49, 79,470,472-11 | |

| *In millions of euros* | Amount at disclosure date | Regulation (EU) no. 575/2013 reference | Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no. 575/2013 |
|---|---|---|---|
| Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative | | 36 (1) (k) | |
| / *Of which: qualifying holdings outside the financial sector (-)* | | *36 (1) (k) (i), 89 to 91* | |
| / *Of which: securitisation positions (-)* | | *36 (1) (k) (ii)243 (1) (b)244 (1) (b)* | |
| / *Of which: free deliveries (-)* | | *36 (1) (k) (iii), 379 (3)* | |
| Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (-) | | 36 (1) (c), 38, 48 (1)(a), 470, 472 (5) | |
| Amount exceeding the 15% threshold (-) | | 48 (1) | |
| / *Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities* | | *36 (1) (i), 48 (1) (b), 470, 472 (11)* | |
| Empty Set in the EU | | | |
| / *Of which: deferred tax assets arising from temporary differences* | | *36 (1) (c), 38, 48 (1)(a), 470, 472 (5)* | |
| Losses for the current financial year (-) | | 36 (1) (a), 472 (3) | |
| Foreseeable tax charges relating to CET1 items (-) | | 36 (1) (l) | |
| Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment | | | |
| Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468 | | | |
| / *Of which: filter for unrealised loss* | | *467* | |
| / *Of which: filter for unrealised gain* | | *468* | |
| Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR | | 481 | |
| Qualifying AT1 deductions that exceed the AT1 capital of the institution (-) | | 36 (1) (j) | |
| **TOTAL REGULATORY ADJUSTMENTS TO COMMON EQUITY TIER 1 (CET1)** | **(174)** | | |
| **COMMON EQUITY TIER 1 (CET1) CAPITAL** | **6, 017** | | |
| **Additional Tier 1 (AT1) capital: instruments** | | | |
| Capital instruments and the related share premium accounts | | 51, 52 | |
| / *Of which: classified as equity under applicable accounting standards* | | | |
| / *Of which: classified as liabilities under applicable accounting standards* | | | |
| Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1 | | 486 (3) | |
| Public sector capital injections grandfathered until 1st January 2018 | | 483 (3) | |
| Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties | | 85, 86, 480 | |
| / *Of which: instruments issued by subsidiaries subject to phase out* | | *486 (3)* | |

| *In millions of euros* | Amount at disclosure date | Regulation (EU) no. 575/2013 reference | Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no. 575/2013 |
|---|---|---|---|
| **ADDITIONAL TIER 1 (AT1) CAPITAL BEFORE REGULATORY ADJUSTMENTS** | | | |
| **Additional Tier 1 (AT1) capital: regulatory adjustments** | | | |
| Direct and indirect holdings by an institution of own ATI Instruments (-) | | 52 (1) (b), 56 (a), 57, 475 (2) | |
| Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-) | | 56 (b), 58, 475 (3) | |
| Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (<10% threshold and net of eligible short positions) (-) | | 56 (c), 59, 60, 79, 475 (4) | |
| Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (<10% threshold net of eligible short positions) (-) | | 56 (d), 59, 60, 79, 475 (4) | |
| Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013 | | | |
| Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) no. 575/2013 | | 472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a) | |
| *Of which: Own capital instruments* | | | |
| *Of which: non-significant investments in the capital of other financial sector entities* | | | |
| *Of which: significant investments in the capital of other financial sector entities* | | | |
| Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) no. 575/2013 | | 477, 477 (3), 477 (4) (a) | |
| *Of which: Own capital instruments* | | | |
| *Of which: non-significant investments in the capital of other financial sector entities* | | | |
| *Of which: significant investments in the capital of other financial sector entities* | | | |
| Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR | | 467, 468, 481 | |
| Qualifying T2 deductions that exceed the T2 capital of the institution (-) | | 56 (e) | |
| **TOTAL REGULATORY ADJUSTMENTS TO ADDITIONAL TIER 1 (AT1) CAPITAL** | | | |
| **ADDITIONAL TIER 1 (AT1) CAPITAL** | | | |
| **TIER 1 CAPITAL (T1 = CET1 + AT1)** | **6,017** | | |
| **Tier 2 (T2) capital: instruments and provisions** | | | |
| Capital instruments and the related share premium accounts | 863 | 62, 63 | |
| Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 | | 486 (4) | |
| Public sector capital injections grandfathered until 1st January 2018 | | 483 (4) | |
| Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties | | 87, 88, 480 | |
| *Of which: instruments issued by subsidiaries subject to phase out* | | *486 (4)* | |
| Credit risk adjustments | | 62 (c) et (d) | |

| *In millions of euros* | Amount at disclosure date | Regulation (EU) no. 575/2013 reference | Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no. 575/2013 |
|---|---|---|---|
| **TIER 2 (T2) CAPITAL BEFORE REGULATORY ADJUSTMENTS** | **863** | | |
| **Tier 2 (T2) capital: regulatory adjustments** | | | |
| Direct and indirect holdings by an institution of own T2 instruments and subordinated bans (-) | | 63 (b) (i), 66 (a), 67, 477 (2) | |
| Holdings of the T2 instruments and subordinated bans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-) | | 66 (b), 68, 477 (3) | |
| Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (-) | | 66 (c), 69, 70, 79, 477 (4) | |
| / *Of which new holdings not subject to transitional arrangements* | | | |
| / *Of which holdings existing before 1st January 2013 and subject to transitional arrangements* | | | |
| Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (-) | | 66 (d), 69, 79, 477 (4) | |
| Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013 (i.e. CRR residual amounts) | | | |
| Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) no. 575/2013 | | 472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a) | |
| / *Of which: Own capital instruments* | | | |
| / *Of which: non-significant investments in the capital of other financial sector entities* | | | |
| / *Of which: significant investments in the capital of other financial sector entities* | | | |
| Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) no. 575/2013 | | 475, 475 (2) (a), 475 (3), 475 (4) (a) | |
| / *Of which: Own capital instruments* | | | |
| / *Of which: non-significant investments in the capital of other financial sector entities* | | | |
| / *Of which: significant investments in the capital of other financial sector entities* | | | |
| Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR | | 467, 468, 481 | |
| **TOTAL REGULATORY ADJUSTMENTS TO TIER 2 (T2) CAPITAL** | | | |
| **TIER 2 (T2) CAPITAL** | **863** | | |
| **TOTAL CAPITAL (TC = T1 + T2)** | **6,880** | | |
| Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no. 575/2013(i.e. CRR residual amounts) | | | |
| / *Of which: Adjustment of the 15% threshold, part of the significant investments of the CET1, items not deducted from CET1 (Regulation (EU) no. 575/2013 residual amounts)* | | *472,472(5), 472(8)(b), 472(10)(b), 472(11)(b)* | |
| / *Of which: Adjustment of the 15% threshold, deferred tax assets part, items not deducted from CET1 (Regulation (EU) no. 575/2013 residual amounts)* | | | |

| *In millions of euros* | **Amount at disclosure date** | **Regulation (EU) no. 575/2013 reference** | **Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no. 575/2013** |
|---|---|---|---|
| */ Of which: items not deducted from AT1 items (Regulation (EU) no. 575/2013 residual amounts)* | | *475,475(2)(b), 475(2)(c), 475(4)(b)* | |
| */ Items not deducted from T2 items (Regulation (EU) no. 575/2013 residual amounts)* | | *477,477(2)(b), 477(2)(c), 477(4)(b)* | |
| **TOTAL RISK WEIGHTED ASSETS** | **34,702** | | |
| **Capital ratios and buffers** | | | |
| Common Equity Tier 1 (as a percentage of risk exposure amount) | 17.34% | 92 (2) (a), 465 | |
| Tier 1 (as a percentage of risk exposure amount) | 17.34% | 92 (2) (b), 465 | |
| Total capital (as a percentage of risk exposure amount) | 19.83% | 92 (2) (c) | |
| Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount) | 2.50% | CRD 128, 129, 130 | |
| */ Of which: capital conservation buffer requirement* | *2.50%* | | |
| */ Of which: countercyclical buffer requirement* | *0.00%* | | |
| */ Of which: systemic risk buffer requirement* | | | |
| */ Of which: Global Systemically Important Institution (G-511) or Other Systemically Important Institution (O-SII) buffer* | | *CRD 131* | |
| Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 12.84% | CRD 128 | |
| [non relevant in EU regulation] | | | |
| [non relevant in EU regulation] | | | |
| [non relevant in EU regulation] | | | |
| **Capital ratios and buffers** | | | |
| Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (<10% threshold and net of eligible short positions) | | 36-1,45,46,472-10, 56,59,60,475-4, 66,69,70,477-4 | |
| Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (<10% threshold and net of eligible short positions) | | 36 (1) (i), 45, 48, 470, 472 (11) | |
| Empty Set in the EU | | | |
| Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) | | 36 (1) (c), 38, 48, 470, 472 (5) | |
| **Applicable caps on the inclusion of provisions in Tier 2** | | | |
| Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap) | | 62 | |
| Cap on inclusion of credit risk adjustments in T2 under standardised approach | 142 | 62 | |
| Credit risk adjustments included in T2 in respect of exposures subject to internai ratings-based approach (prior to the application of the cap) | | 62 | |
| Cap for inclusion of credit risk adjustments in T2 under internai ratings-based approach | 115 | 62 | |

| *In millions of euros* | Amount at disclosure date | Regulation (EU) no. 575/2013 reference | Amounts subject to pre- regulation or prescribed residual amount of regulation (EU) no. 575/2013 |
|---|---|---|---|
| **Capital instruments subject to phase-out arrangements (only applicable between 1st January 2013 and 1st January 2022)** | | | |
| Current cap on CET1 instruments subject to phase out arrangements | | 484 (3), 486 (2) and (5) | |
| Amount excluded from CET1 due to cap (excess over cap atter redemptions and maturities) | | 484 (3), 486 (2) and (5) | |
| Current cap on AT1 instruments subject to phase out arrangements | | 484 (4), 486 (3) and (5) | |
| Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) | | 484 (4), 486 (3) and (5) | |
| Current cap on T2 instruments subject to phase out arrangements | | 484 (5), 486 (4) and (5) | |
| Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) | | 484 (5), 486 (4) and (5) | |

# 4 CAPITAL REQUIREMENTS

Prudential requirements are determined in accordance with transitional texts and arrangements applying from 1st January 2014 to credit institutions and investment firms, as published in the Official Journal of the European Union on 26 June 2013: Regulation (EU) 575/2013 and Directive 2013/36/EU, transposed by Order 2014-158 of 20 February 2014. This upward trend in capital requirements primarily reflects the overall increase in activity of the RCI Banque group.

RCI Banque does not own any non-consolidated financial institution with an actual amount of capital less than its capital requirement.

### III-8 OV1 – OVERVIEW OF RWA

| | RWA | | Min. capital requirements |
|---|---|---|---|
| *In millions of euros* | 12/2020 | 09/2020 | 12/2020 |
| Credit risk (excluding CCR) | 29,511 | 30,702 | 2,361 |
| *Of which the standardised approach* | *10,387* | *12,035* | *831* |
| *Of which the foundation IRB (FIRB) approach* | *21* | *22* | *2* |
| *Of which the advanced IRB (AIRB) approach* | *19,104* | *18,645* | *1,528* |
| *Of which equity IRB under the simple RWA or the IMA* | | | |
| Counterparty Credit Risk | 315 | 318 | 25 |
| *Of which mark to market* | | | |
| *Of which original exposure* | | | |
| *Of which the standardised approach* | *78* | *78* | *6* |
| *Of which internal model method (IMM)* | | | |
| *Of which REA for contributions to the default fund of a CCP* | | | |
| *Of which Credit Valuation Adjustment* | *237* | *240* | *19* |
| Settlement risk | | | |
| Securitisation exposures in the banking book (after the cap) | | | |
| *Of which IRB approach* | | | |
| *Of which IRB supervisory formula approach (SFA)* | | | |
| *Of which internal assessment approach (IAA)* | | | |
| *Of which standardised approach* | | | |
| Market risk | | | |
| *Of which the standardised approach* | | | |
| *Of which IMA* | | | |
| Large exposures | | | |
| Operational risk | 4,003 | 3,854 | 320 |
| *Of which basic indicator approach* | | | |
| *Of which standardised approach* | *4,003* | *3,854* | *320* |
| *Of which advanced measurement approach* | | | |
| Amounts below the thresholds for deduction (subject to 25% RW) | 873 | 812 | 70 |
| Floor adjustment | | | |
| **TOTAL** | **34,702** | **35,686** | **2,776** |

# 5 MANAGEMENT OF INTERNAL CAPITAL

The internal capital requirement results from an assessment of the capital needed to deal with all RCI Banque's risks (Pillar I + Pillar II).

It equals the floor value of capital that the group's management considers necessary to tackle its risk profile and strategy.

Capital is managed by the "Accounting and Performance Control" and "Finance and Treasury" Divisions with the endorsement of the Chief Risk Officer and Chief Executive Officer under the control of RCI Banque's Board of Directors.

The RCI Banque group's capital management policy aims to optimize the use of own funds to maximize short and long-term yield for the shareholder, while maintaining a Core Tier one ratio that is consistent with the target rating needed to optimize refinancing.

The RCI group accordingly determines its internal solvency target in accordance with its goals and in compliance with regulatory thresholds.

For that purpose, the group implements an Internal Capital Adequacy Assessment Process (ICAAP) that enables it to meet the following two main aims:

- Periodically assess, and preserve in the medium term, adequate capital requirements to cover all types of risks incurred by the RCI Banque group, both under normal "centered" and stressed conditions. The said conditions are simulated using stress scenarios at least once a year;
- Constantly ensure that the RCI group has market access by enabling it in all stress situations to maintain its rating, solvency ratios and other indicators analyzed by the market, in direct comparison with the competition.

As such, and in accordance with regulatory texts, the ICAAP adopts a multidimensional approach that more particularly takes into account the following general principles:

- **Alignment with the group's risk profile and strategy**: the ICAAP is incorporated into the group's key processes, in particular the definition of economic models, the budgetary and forecasting process, the risk identification process, the risk appetite framework, the ILAAP (Internal Liquidity Adequacy Assessment Process) and the recovery plan;
- **Proportional approach based on a periodic review** of its risk appetite, its profile and its level of capital geared to its economic model, size and complexity;
- **Planning and setting risk limits**: RCI forecasts its own funds requirements based on the forecasting process fixed by the ICAAP and sets limits enabling it to remain consistent with the risk appetite defined by RCI Banque's Board of Directors;
- **Monitoring, control and supervision**: RCI regularly monitors the Risk Appetite Framework and the ICAAP indicators and thresholds at all levels of the company to ensure it complies with the set thresholds.

# 6 LEVERAGE RATIO

The Basel III/CRD IV regulations introduce the leverage ratio, the main aim of which is to serve as an additional measure to capital requirement based on weighted risks in order to avoid excessive development of exposures in relation to own funds.

Article 429 of the capital requirements regulation (CRR) specifies the methods for calculating the leverage ratio; it has been modified and replaced with delegated regulation (EU) 62/2015 of 10 October 2014, published in the OJEU on 18 January 2015. The leverage ratio shall be calculated as the ratio of the institution's Tier 1 capital to that of institution's total exposure, which includes balance sheet assets and off-balance sheet assets measured using a prudential approach.

Since 1st January 2015, disclosure of the leverage ratio has been mandatory (Article 521-2a of the CRR) at least once a year (CRR a.433), together with the financial statements (BCBS270 Article 45).

The implementation of a 3% minimum regulatory requirement for the leverage ratio was endorsed with the adoption of the banking package (CRR2/CRD V).

The RCI Banque group's leverage ratio, estimated according to CRR/CRD IV rules and factoring in the delegated regulation of October 2014, was 10.07% at 31 December 2020.

### III-9 LRSUM – SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

| *In millions of euros* | 31/12/2020 |
|---|---|
| **TOTAL ASSETS AS PER PUBLISHED FINANCIAL STATEMENTS** | **58,886** |
| Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | (113) |
| (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) no. 575/213) | |
| Adjustments for derivative financial instruments | 205 |
| Adjustments for securities financing transactions "SFTs" | |
| Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures) | 1,146 |
| (Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) no. 575/213) | |
| (Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) no. 575/213) | |
| Other adjustments | (369) |
| **LEVERAGE RATIO TOTAL EXPOSURE MEASURE** | **59,755** |

RCI has no unrecognized fiduciary assets, in accordance with Article 429.11 of the CRR.

### III-10 LRCOM – LEVERAGE RATIO

| *In millions of euros* | 31/12/2020 |
|---|---|
| **ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES AND SFTS)** | |
| On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 58,298 |
| Asset amounts deducted in determining Tier 1 capital | (125) |
| **TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND FIDUCIARY ASSETS)** | **58,173** |
| **DERIVATIVE EXPOSURES** | |
| Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 435 |
| Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | |
| Exposure determined under Original Exposure Method | |
| Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework | |
| Deductions of receivables assets for cash variation margin provided in derivatives transactions | |
| Exempted CCP leg of client-cleared trade exposures | |
| Adjusted effective notional amount of written credit derivatives | |
| Adjusted effective notional offsets and add-on deductions for written credit derivatives | |
| **TOTAL DERIVATIVES EXPOSURES** | **435** |
| **SFT EXPOSURES** | |
| Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions | |
| (Netted amounts of cash payables and cash receivables of gross SFT assets) | |
| Counterparty credit risk exposure for SFT assets | |
| Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) no. 575/213 | |
| Agent transaction exposures | |
| Exempted CCP leg of client-cleared SFT exposure | |
| **TOTAL SECURITIES FINANCING TRANSACTION EXPOSURES** | |
| **OTHER OFF-BALANCE SHEET EXPOSURES** | |
| Off-balance sheet exposures at gross notional amount | 2,613 |
| Adjustments for conversion to credit equivalent amounts | (1,467) |
| **TOTAL OTHER OFF-BALANCE SHEET EXPOSURES** | **1,146** |
| **EXEMPTED EXPOSURES IN ACCORDANCE WITH ARTICLE 429** | |
| (Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) no. 575/213 (on and off balance sheet)) | |
| (Exposures exempted in accordance with Article 429 (14) of Regulation (EU) no. 575/213 (on and off balance sheet)) | |
| **CAPITAL AND TOTAL EXPOSURE MESURE** | |
| Tier 1 capital | 6,017 |
| Leverage ratio total exposure measure | 59,755 |
| **Leverage ratio** | **10.07%** |

Choice on transitional arrangements for the definition of the capital measure: Transitionary definition.

### III-11 LRSPL – BREAKDOWN OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

| *In millions of euros* | 31/12/2020 |
|---|---|
| Trading book exposures | |
| Banking book exposures, of which: | 58,298 |
| *Covered bonds* | |
| *Exposures treated as sovereigns* | *8,085* |
| *Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns* | *40* |
| *Institutions* | *1,400* |
| *Secured by mortgages of immovable properties* | |
| *Retail exposures* | *32,905* |
| *Corporate* | *13,418* |
| *Exposures in default* | *299* |
| *Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)* | *2,151* |
| **TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS, AND EXEMPTED EXPOSURES)** | **58,298** |

### III-12 LRQUA – STATEMENT OF QUALITATIVE ELEMENTS

| | |
|---|---|
| Descriptions of the procedures used to manage the excessive leverage risk | RCI Banque monitors its leverage ratio on a monthly basis and keeps the Executive Committee informed thereof. The ratio is also stated in the balanced scorecard of risks provided quarterly to the Board of Directors' Risks Committee. An internal limit has been set and a warning system has been put in place. |
| Description of factors having an impact on the leverage ratio during the period to which the leverage ratio disclosed by the institution refers | RCI Banque disclosed a Basel III leverage ratio of 10.07% at the end of December 2020 against 8.90% at the end of December 2019. The ratio increases due to the growth of Tier 1 capital from €5.3 Bn€ to €6.0 Bn€, while the risk exposure amount remained stable at almost €60 Bn€. |

## 7 MANAGEMENT OF THE LEVERAGE RATIO

Management of the leverage ratio consists both in calibrating "Tier 1" capital (the numerator of the ratio) and adjusting the group's leveraged exposure (denominator of the ratio) to meet the 6% target ratio the group has set for itself, higher than the minimum of 3% recommended by the Basel Committee.

Monthly monitoring of the leverage ratio ensures that it is in line with the set target.

# IV CREDIT RISK

## 1 EXPOSURE TO THE CREDIT RISK

The Exposure at Default (EAD) includes both balance sheet and off-balance sheet credit exposures. Moreover, the prudential scope is different from the accounting scope of consolidation. The credit exposure values in the above table are thus different from those in Note 17 to the consolidated financial statements concerning financial assets by remainder of the term.

RCI Banque uses three risk-classification levels for receivables and writes them down on an individual or collective basis. The valuation presentation and principles are described in part A of the notes to the consolidated financial statements.

These classification levels are:

- Bucket 1: no deterioration or insignificant deterioration in credit risk from origination;
- Bucket 2: significant deterioration of credit risk from origination or non-investment grade financial counterparty;
- Bucket 3: deterioration such as ascertained loss (category of default).

Concessions are not a frequent practice of the group. Facing Covid-19 crisis and adjusting to local regulated schemes, they were nevertheless run in 2020, temporarily and under controlled circumstances. At end 2020 in Europe (89% of customer productive assets) the volumes of new forbearances had gone back to pre-Covid level. In specific cases outside Europe, forbearance may stay at higher level than before Covid-19 crisis: the consistency of the measures taken are evaluated during the collection process and with the customers, and default is considered after 30 days past due only.

Facing Covid-19 crisis, targeted adjustments were performed at end 2020 to consider part of the general payment moratoria as forbearance (€190 million) considering in those specific cases the long period gone through without any customers payments due to local regulated schemes in application. They cover in Italy those customers benefiting from renewed moratorium from the 1st phase occurred in first semester 2020. And in Morocco, the analysis focused on the particularly impacted sectors of Short-term rentals companies and exposures having benefitted from renewed moratorium as well.

During the year, other temporary moratoriums were implemented but have decreased significantly in the second half of the year, representing now less than 1% of the portfolio. In France moratoriums granted to SME and Corporate obligors represented the biggest such portfolio in the group, and on nearly all expired moratoria the situation of the original contractual schedule is now restored. If a specific review were done at end 2020 to ensure proper coverage of those exposures, they were not downgraded as per balance sheet classification.

Corporate obligors (other than dealers) were also reviewed case by case; no UTP case was identified following this exercise but as several obligors show deteriorated perspective, €325 million corporate exposures were transferred in stage 2 (roughly 12% of total corporate exposures for non-Dealers above €1 million). The analysis focused on the short-term rentals sector, which is particularly under constraints due to the Covid-19 crisis and additionally has already gone through various crisis in the past 20. It then englobed all business sectors to identify exposure on those strongly impacted by the Covid-19 crisis.

Operational governance was strengthened as soon as the crisis started with a focus on early warning indicators, operations, classification, provisioning and forecasts. Local moratoria were validated centrally, entries in arrear followed on a weekly basis, collection operational continuity monitored in "Covid-19 crisis Committee", reforecast exercise (April, July, November) included a dedicated large section on credit risk for key countries and a new monthly Credit Risk Committee set up with a standard framework including underwriting, collection and balance sheet indicators.

In addition to these measures, a collective approach was run for smaller corporate exposures considering those operating in the sectors most affected by Covid-19 crisis (linked to travels and tourism, arts, events, ad those identified by external sources). A possible adverse evolution was then considered: they stayed in their natural status, but their coverage was reinforced.

## IV-1 CR3 – CREDIT RISK MITIGATION TECHNIQUES – OVERVIEW

| *In millions of euros* | Exposures unsecured | Exposures to be secured | Exposures secured by collateral | Exposures secured by financial guarantees | Exposures secured by credit derivatives |
|---|---|---|---|---|---|
| Loans | 55,213 | | 805 | | |
| Debt securities | 675 | | | | |
| **TOTAL** | **55,887** | | **805** | | |
| *Of which Non-performing exposures* | *763* | | *6* | | |
| *Of which defaulted* | *763* | | *6* | | |

## IV-2 CRB-B – TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

| *In millions of euros* | Net value of exposures at the end of the period | Average net exposures over the period |
|---|---|---|
| Central governments or central banks | | |
| Institutions | | |
| Corporates | 11,054 | 11,905 |
| *Of which: Specialised lending* | | |
| *Of which: SMEs* | *2,025* | *2,615* |
| Retail | 27,282 | 29,823 |
| *Secured by real estate property* | | |
| *SMEs* | | |
| *Non-SMEs* | | |
| *Qualifying revolving* | | |
| *Other retail* | *27,282* | *29,823* |
| *SMEs* | *2,791* | *3,080* |
| *Non-SMEs* | *24,492* | *26,743* |
| Equity | | |
| **TOTAL IRB APPROACH** | **38,336** | **41,728** |
| Central governments or central banks | 8,078 | 6,027 |
| Regional governments or local authorities | 172 | 189 |
| Public sector entities | | 0 |
| Multilateral development banks | | |
| International organisations | 15 | 16 |
| Institutions | 1,523 | 1,926 |
| Corporates | 3,686 | 4,544 |
| *Of which: SMEs* | *726* | *1,504* |
| Retail | 6,957 | 7,516 |
| *Of which: SMEs* | *1,812* | *1,816* |
| Secured by mortgages on immovable property | | |
| *Of which: SMEs* | | |
| Exposures in default | 78 | 96 |
| Items associated with particularly high risk | | |
| Covered bonds | | |
| Claims on institutions and corporates with a short-term credit assessment | 145 | 190 |
| Collective investments undertakings | 192 | 1,541 |
| Equity exposures | 225 | 228 |
| Other exposures | 1,978 | 1,798 |
| **TOTAL STANDARDISED APPROACH** | **23,049** | **24,070** |
| **TOTAL** | **61,385** | **65,798** |

## IV-3 CRB-C – GEOGRAPHICAL BREAKDOWN OF EXPOSURES

| *In millions of euros* | France | Germany | Great-Britain | Italy | Spain | Brazil | South Korea | Swiss | Portugal | Poland | Nether land | Other countries | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | | | | | | | | |
| Institutions | | | | | | | | | | | | | |
| Corporates | 7,409 | 1,427 | 680 | 820 | 717 | | | | | | | | 11,054 |
| Retail | 8,546 | 6,639 | 2,984 | 4,429 | 3,119 | | 1,566 | | | | | | 27,282 |
| Equity | | | | | | | | | | | | | |
| **TOTAL IRB APPROACH** | **15,956** | **8,067** | **3,663** | **5,250** | **3,836** | | **1,566** | | | | | | **38,336** |
| Central governments or central banks | 5,505 | 875 | 1,109 | 152 | 11 | 130 | 112 | 0 | 6 | 39 | 1 | 137 | 8,078 |
| Regional or local authorities | 46 | | | 125 | | | | | | | | 0 | 172 |
| Public sector entities | | | | | | | | | | | | | |
| Multilateral development banks | | | | | | | | | | | | | |
| International organisations | | | | | | | | | | | | 15 | 15 |
| Institutions | 640 | 225 | 126 | 149 | 10 | 14 | 72 | 2 | 5 | 31 | 13 | 237 | 1,523 |
| Corporates | 437 | 258 | 21 | 248 | 172 | 246 | 11 | 229 | 320 | 400 | 207 | 1, 138 | 3,686 |
| Retail | 493 | 52 | 296 | 322 | 170 | 1,281 | 7 | 629 | 327 | 435 | 416 | 2,530 | 6,957 |
| Secured by mortgages on immovable property | | | | | | | | | | | | | |
| Exposures in default | 6 | 1 | 4 | 17 | 0 | 12 | 2 | 2 | 2 | 1 | 1 | 30 | 78 |
| Items associated with particularly high risk | | | | | | | | | | | | | |
| Covered bonds | | | | | | | | | | | | | |
| Claims on institutions and corporates with a short-term credit assessment | 19 | 7 | | | | 92 | 14 | | | | | 14 | 145 |
| Collective investments undertakings | | | | | | 102 | | | | | | 89 | 192 |
| Equity exposures | 3 | | | | | | | | | | 76 | 146 | 225 |
| Other exposures | 940 | 343 | 310 | 82 | 30 | 6 | 12 | 53 | 22 | 21 | 17 | 144 | 1,978 |
| **TOTAL STANDARDISED APPROACH** | **8,088** | **1,761** | **1,866** | **1,096** | **393** | **1,883** | **229** | **915** | **681** | **925** | **731** | **4,479** | **23,049** |
| **TOTAL** | **24,043** | **9,828** | **5,529** | **6,345** | **4,229** | **1,883** | **1,795** | **915** | **681** | **925** | **731** | **4,479** | **61,385** |

### IV-4 CRB-D – CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

| | | | | | | Of which | |
|---|---|---|---|---|---|---|---|
| *In millions of euros* | Central governments or central banks | Institutions | Other financial corporations | Households | Non-financial corporations | Manufacturing | Construction |
| Central governments or central banks | | | | | | | |
| Institutions | | | | | | | |
| Non-financial corporations | | | | | 13,845 | 528 | 970 |
| Households | | | | 24,492 | | | |
| Equity | | | | | | | |
| **TOTAL IRB APPROACH** | | | | **24,492** | **13,845** | **528** | **970** |
| Central governments or central banks | 8,078 | | | | | | |
| Regional or local authorities | | | 172 | | | | |
| Public sector entities | | | | | | | |
| Multilateral development banks | | | | | | | |
| International organisations | | | 15 | | | | |
| Institutions | | 1,523 | | | | | |
| Non-financial corporations | | | | | 5,776 | 296 | 290 |
| Households | | | | 4,868 | | | |
| Secured by mortgages on immovable property | | | | | | | |
| Exposures in default | 1 | | 2 | 31 | 44 | 3 | 4 |
| Items associated with particularly high risk | | | | | | | |
| Covered bonds | | | | | | | |
| Claims on inst. and corporates with a ST credit assessment | | 145 | | | | | |
| Collective investments undertakings | | | | | | | |
| Equity exposures | | | | | | | |
| Other exposures | | | | | | | |
| **TOTAL STANDARDISED APPROACH** | **8,079** | **1,669** | **188** | **4,898** | **5,820** | **299** | **294** |
| **TOTAL** | **8,079** | **1,669** | **188** | **29,390** | **19,665** | **827** | **1,264** |

| Of which | | | | | | | |
|---|---|---|---|---|---|---|---|
| Wholesale and retail trade | Transport and storage | Professional, scientific and technical activities | Administrative and support service activities | Human health services and social work activities | Other sectors | Other exposures | Total |
| | | | | | | | |
| | | | | | | | |
| 9,041 | 383 | 407 | 1,014 | 316 | 1,185 | | 13,845 |
| | | | | | | | 24,492 |
| | | | | | | | |
| **9,041** | **383** | **407** | **1,014** | **316** | **1,185** | | **38,336** |
| | | | | | | | 8,078 |
| | | | | | | | 172 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | 15 |
| | | | | | | | 1,523 |
| 3,735 | 206 | 155 | 360 | 51 | 684 | | 5,776 |
| | | | | | | | 4,868 |
| | | | | | | | |
| 21 | 3 | 5 | 2 | 0 | 7 | 0 | 78 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | 145 |
| | | | | | | 192 | 192 |
| | | | | | | 225 | 225 |
| | | | | | | 1,978 | 1,978 |
| **3 756** | **208** | **160** | **362** | **51** | **691** | **2,394** | **23,049** |
| **12,797** | **592** | **567** | **1 ,375** | **367** | **1 ,876** | **2 ,394** | **61 ,385** |

### IV-5 CRB-E – MATURITY OF EXPOSURES

| *In millions of euros* | On Demand | ≤1 year | >1 year and ≤5 years | >5 years | No stated maturity | Total |
|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | |
| Institutions and other financial corporations | | | | | | |
| Non-financial corporations | 375 | 10,469 | 2,987 | 14 | | 13,845 |
| Households | 285 | 8,881 | 15,053 | 273 | | 24,492 |
| Other exposures | | | | | | |
| **TOTAL IRB APPROACH** | **660** | **19,350** | **18,040** | **287** | | **38,336** |
| Central governments or central banks | 7,423 | 442 | 191 | 23 | | 8,079 |
| Institutions and other financial corporations | 991 | 296 | 136 | 227 | 207 | 1,857 |
| Non-financial corporations | 1,026 | 3,616 | 1,096 | 81 | 1 | 5,820 |
| Households | 63 | 1,698 | 2,983 | 154 | | 4,898 |
| Other exposures | | | | | 2,394 | 2,394 |
| **TOTAL STANDARDISED APPROACH** | **9,503** | **6,052** | **4,406** | **485** | **2,602** | **23,049** |
| **TOTAL** | **10,163** | **25,402** | **22,446** | **772** | **2,602** | **61,385** |

### IV-6 CR1-A – CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

| *In millions of euros* | Gross values of defaulted exposures | Gross values of non-defaulted exposures | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Net value | Credit risk adjustment charges of the period |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | | | | | | | |
| Institutions | | | | | | | |
| Corporates | 165 | 11,029 | (141) | | | 11,054 | (65) |
| */ Of which: Specialised lending* | | | | | | | |
| */ Of which: SMEs* | *62* | *2,019* | *(56)* | | | *2,025* | *(22)* |
| Retail | 434 | 27,481 | (632) | | | 27,282 | (88) |
| */ Secured by real estate property* | | | | | | | |
| *SMEs* | | | | | | | |
| *Non-SMEs* | | | | | | | |
| */ Qualifying revolving* | | | | | | | |
| */ Other retail* | *434* | *27,481* | *(632)* | | | *27,282* | *(88)* |
| *SMEs* | *81* | *2,806* | *(96)* | | | *2,791* | *(16)* |
| *Non-SMEs* | *353* | *24 ,675* | *(537)* | | | *24,492* | *(72)* |
| Equity | | | | | | | |
| **TOTAL IRB APPROACH** | **599** | **38,510** | **(773)** | | | **38,336** | **(153)** |
| Central governments or central banks | 1 | 8,079 | (1) | | | 8,079 | 0 |
| Regional governments or local authorities | 2 | 172 | 0 | | | 173 | 0 |
| Public sector entities | | | | | | | |
| Multilateral development banks | | | | | | | |
| International organisations | | 15 | | | | 15 | |
| Institutions | 0 | 1,523 | 0 | | | 1,523 | 0 |
| Corporates | 37 | 3,720 | (49) | | | 3,707 | 33 |
| */ Of which: SMEs* | *18* | *733* | *(15)* | | | *736* | *49* |
| Retail | 174 | 7,082 | (244) | | | 7,011 | (91) |
| */ Of which: SMEs* | *60* | *1,852* | *(76)* | | | *1,836* | *(52)* |
| Secured by mortgages on immovable property | | | | | | | |
| */ Of which: SMEs* | | | | | | | |
| Exposures in default | | | | | | | |
| Items associated with particularly high risk | | | | | | | |
| Covered bonds | | | | | | | |
| Claims on inst. and corporates with a ST credit assessment | | 145 | 0 | | | 145 | 0 |
| Collective investments undertakings | | 192 | | | | 192 | |
| Equity exposures | | 225 | | | | 225 | |
| Other exposures | | 2,105 | (128) | | | 1,978 | (128) |
| **TOTAL STANDARDISED APPROACH** | **213** | **23,258** | **(423)** | | | **23,049** | **(186)** |
| **TOTAL** | **812** | **61,768** | **(1,196)** | | | **61,385** | **(339)** |
| */ Of which: Loans* | *769* | *55,249* | *(1,182)* | | | *54,836* | *(332)* |
| */ Of which: Debt securities* | | *675* | *0* | | | *674* | *0* |
| */ Of which: Off-balance-sheet exposures* | *5* | *2,630* | *(13)* | | | *2,622* | *(8)* |

### IV-7 CR1-B – CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

| *In millions of euros* | Gross values of defaulted exposures | Gross values of non-defaulted exposures | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Net value | Credit risk adjustment charges of the period |
|---|---|---|---|---|---|---|---|
| Central governments or central banks | 1 | 8,079 | (1) | | | 8,079 | 0 |
| Institutions | 0 | 1,669 | 0 | | | 1,669 | 0 |
| Other financial corporations | 2 | 187 | 0 | | | 188 | 0 |
| Households | 469 | 29,617 | (696) | | | 29,390 | (108) |
| Non-financial corporations | 340 | 19,695 | (371) | | | 19,665 | (104) |
| *Of which: Manufacturing* | *29* | *813* | *(15)* | | | *827* | *1* |
| *Of which: Construction* | *31* | *1,257* | *(24)* | | | *1,264* | *(6)* |
| *Of which: Wholesale and retail trade* | *128* | *12,911* | *(243)* | | | *12,797* | *(74)* |
| *Of which: Transport and storage* | *20* | *583* | *(11)* | | | *592* | *(3)* |
| *Of which: Professional, scientific and technical activities* | *16* | *561* | *(11)* | | | *567* | *(2)* |
| *Of which: Administrative and support service activities* | *66* | *1,334* | *(26)* | | | *1,375* | *(9)* |
| *Of which: Human health services and social work activities* | *3* | *371* | *(7)* | | | *367* | *(3)* |
| *Of which: Other sectors* | *46* | *1,863* | *(34)* | | | *1,876* | *(8)* |
| Other exposures | 0 | 2,522 | *(128)* | | | 2,394 | (128) |
| **TOTAL** | **812** | **61,768** | **(1,196)** | | | **61,385** | **(339)** |

### IV-8 CR1-C – CREDIT QUALITY OF EXPOSURES BY GEOGRAPHICAL AREA

| *In millions of euros* | Gross values of defaulted exposures | Gross values of non-defaulted exposures | Specific credit risk adjustment | General credit risk adjustment | Accumulated write-offs | Net value | Credit risk adjustment charges of the period |
|---|---|---|---|---|---|---|---|
| France | 358 | 24,086 | (401) | | | 24,043 | (147) |
| Germany | 51 | 9,849 | (72) | | | 9,828 | (25) |
| Great-Britain | 28 | 5,653 | (152) | | | 5,529 | (30) |
| Italy | 111 | 6,358 | (123) | | | 6,345 | (23) |
| Spain | 70 | 4,281 | (121) | | | 4,229 | (47) |
| Brazil | 45 | 1,918 | (79) | | | 1,883 | (8) |
| South Korea | 32 | 1,808 | (45) | | | 1,795 | 1 |
| Swiss | 3 | 916 | (4) | | | 915 | 1 |
| Portugal | 5 | 697 | (21) | | | 681 | (7) |
| Poland | 12 | 936 | (23) | | | 925 | (3) |
| Netherland | 2 | 736 | (7) | | | 731 | (4) |
| Other countries | 96 | 4,532 | (148) | | | 4,479 | (48) |
| **TOTAL** | **812** | **61,768** | **(1,196)** | | | **61,385** | **(339)** |

### IV-9 CRD1-D AGEING OF PAST DUE EXPOSURE

| In millions of euros | Gross carrying values | | | | | |
|---|---|---|---|---|---|---|
| | ≤30 days | >30 days and ≤60 days | >60 days and ≤90 days | >90 days and ≤180 days | >180 days and ≤1 year | >1 year |
| Loans | 289 | 238 | 82 | 65 | 50 | 66 |
| Debt securities | | | | | | |
| **TOTAL EXPOSURES** | **289** | **238** | **82** | **65** | **50** | **66** |

### IV-10 CR1-E NON PERFORMING AND FORBORNE EXPOSURE

| In millions of euros | Gross carrying amount of performing and non-performing exposures | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Of which performing | | Of which non-performing | | | |
| | | but past due > 30 to 90 | Of which performing forborne | | Of which defaulted | Of which impaired | Of which forborne |
| Loans | 56,018 | 64 | 368 | 769 | 769 | 769 | 78 |
| Debt securities | 675 | | | | | | |
| Off-balance-sheet exposures | 2,635 | | | 5 | 5 | 5 | |

| In millions of euros | Accumulated impairment and provisions and negative fair-value adjustments due to credit risks | | | | Collaterals and financial guarantees received | |
|---|---|---|---|---|---|---|
| | On performing exposures | | On non-performing exposures | | On non-performing exposures | |
| | | Of which forborne | | Of which forborne | | Of which forborne |
| Loans | (560) | (18) | (507) | (61) | 17,162 | 7 |
| Debt securities | 0 | | | | | |
| Off-balance-sheet exposures | (12) | | (2) | | | |

## IV-11 – CREDIT QUALITY OF FORBORNE EXPOSURES

| *In millions of euros* | Gross carrying amount of exposures with forbearance measures | | | | Accumulated impairment and change in FV | | Collateral and guarantees | |
|---|---|---|---|---|---|---|---|---|
| | | Non-performing forborne | | | | | | |
| | Performing forborne | | Of which defaulted | Of which impaired | Performing forborne | Non-performing forborne | On forborne exposure | ow on NPE with forbearance measures |
| Loans and advances | 368 | 78 | 78 | 78 | (18) | (61) | 7 | |
| *Central banks* | | | | | | | | |
| *General governments* | | | | | | | | |
| *Credit institutions* | | | | | | | | |
| *Other financial corporations* | | | | | | | | |
| *Non-financial corporations* | *76* | *10* | *10* | *10* | *(12)* | *(9)* | 2 | |
| *Households* | 292 | 68 | 68 | 68 | (6) | (52) | 5 | |
| Debt securities | | | | | | | | |
| Loan commitments given | | | | | | | | |
| **TOTAL** | **368** | **78** | **78** | **78** | **(18)** | **(61)** | **7** | |

## IV-12 – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES PER DAYS PAST DUE

| | Gross carrying amount and nominal amount | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | Non-performing exposures | | | | | | | | |
| *In millions of euros* | | Not past due or past due <30 days | Past due between 30 days and 90 days | | Unlikely to pay or past due <90 days | Past due between 90 and 180 days | Past due between 180 and 365 days | Past due between 1 and 2 years | Past due between 2 and 5 years | Past due between 5 and 7 years | Past due >7 years | Of which defaulted |
| **CASH BALANCES AT CENTRAL BANKS** | **8,278** | **8,278** | | | | | | | | | | |
| **LOANS AND ADVANCES** | **46,972** | **46,908** | **64** | **769** | **589** | **65** | **50** | | **61** | | **4** | **769** |
| Central banks | 10 | 10 | | | | | | | | | | |
| General governments | 111 | 111 | | 2 | 2 | 0 | 0 | | 0 | | | 2 |
| Credit institutions | 222 | 222 | | | | | | | | | | |
| Other financial corporations | | | | | | | | | | | | |
| Non-financial corporations | 17,943 | 17,907 | 36 | 298 | 249 | 20 | 5 | | 23 | | 1 | 298 |
| *Of which SMEs* | *7,740* | *7,721* | *20* | *221* | *180* | *18* | *3* | | *19* | | *1* | *221* |
| Households | 28,685 | 28,657 | 28 | 469 | 338 | 45 | 44 | | 39 | | 3 | 469 |
| **DEBT SECURITIES** | **675** | **675** | | | | | | | | | | |
| Central banks | 112 | 112 | | | | | | | | | | |
| General governments | 260 | 260 | | | | | | | | | | |
| Credit institutions | 12 | 12 | | | | | | | | | | |
| Other financial corporations | 210 | 210 | | | | | | | | | | |
| Non-financial corporations | 80 | 80 | | | | | | | | | | |
| **OFF-BALANCE-SHEET EXPOSURES** | **2,415** | | | **5** | | | | | | | | **5** |
| Central banks | | | | | | | | | | | | |
| General governments | 21 | | | 0 | | | | | | | | 0 |
| Credit institutions | 1 | | | | | | | | | | | |
| Other financial corporations | | | | | | | | | | | | |
| Non-financial corporations | 1,492 | | | 4 | | | | | | | | 4 |
| Households | 901 | | | 1 | | | | | | | | 1 |
| **TOTAL** | **58,339** | **55,860** | **64** | **774** | **589** | **65** | **50** | | **61** | | **4** | **774** |

## IV-13 – PERFORMING AND NON-PERFORMING EXPOSURES AND RELATED PROVISIONS

| *In millions of euros* | Gross carrying amount and nominal amounts | | | | | | Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions | | | | | | Accumulated partial writeoff | Collateral and financial guarantees received | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Performing exposures | | | Non-performing exposures | | | Performing exposures | | | Non-performing exposures | | | | Performing exposures | Non-performing exposures |
| | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | Of which stage 1 | Of which stage 2 | | Of which stage 2 | Of which stage 3 | | | |
| **CASH BALANCES AT CENTRAL BANKS** | **8,278** | **8,278** | | | | | | | | | | | | | |
| **LOANS AND ADVANCES** | **46,972** | **42,458** | **4,514** | **769** | | **769** | **(560)** | **(291)** | **(269)** | **(507)** | | **(507)** | | **17,022** | **140** |
| Central banks | 10 | 10 | | | | | | | | | | | | | |
| General governments | 111 | 69 | 42 | 2 | | 2 | (2) | 0 | (2) | (1) | | (1) | | 2 | 1 |
| Credit institutions | 222 | 162 | 60 | | | | 0 | 0 | 0 | | | | | 165 | |
| Other financial corporations | | | | | | | | | | | | | | | |
| Non-financial corporations | 17,943 | 15,901 | 2,042 | 298 | | 298 | (216) | (103) | (112) | (151) | | (151 ) | | 12,851 | 95 |
| Of which SMEs | 7,740 | 6,480 | 1,261 | 221 | | 221 | (113) | (42) | (71) | (123) | | (123) | | 1,735 | 48 |
| Households | 28,685 | 26,315 | 2,370 | 469 | | 469 | (341) | (187) | (154) | (355) | | (355) | | 4,004 | 44 |
| **DEBT SECURITIES** | **675** | **675** | | | | | **0** | **0** | | | | | | | |
| Central banks | 112 | 112 | | | | | 0 | 0 | | | | | | | |
| General governments | 260 | 260 | | | | | 0 | 0 | | | | | | | |
| Credit institutions | 12 | 12 | | | | | | | | | | | | | |
| Other financial corporations | 210 | 210 | | | | | 0 | 0 | | | | | | | |
| Non-financial corporations | 80 | 80 | | | | | 0 | 0 | | | | | | | |
| **LOAN COMMITMENTS GIVEN** | **2,415** | **2,406** | **8** | **5** | | **5** | **(12)** | **(11)** | **0** | **(2 )** | | **(2)** | | | |
| Central banks | | | | | | | | | | | | | | | |
| General governments | 21 | 21 | 0 | 0 | | 0 | 0 | 0 | | 0 | | 0 | | | |
| Credit institutions | 1 | 1 | | | | | | | | | | | | | |
| Other financial corporations | | | | | | | | | | | | | | | |
| Non-financial corporations | 1,492 | 1,484 | 8 | 4 | | 4 | (11) | (10) | 0 | (1 ) | | (1 ) | | | |
| Households | 901 | 901 | 0 | 1 | | 1 | (1 ) | (1) | 0 | 0 | | 0 | | | |
| **TOTAL** | **58,339** | **53,816** | **4,522** | **774** | | **774** | **(572)** | **(303)** | **(269)** | **(508)** | | **(508)** | | **17,022** | **140** |

### IV-14 – COLLATERAL OBTAINED BY TAKING POSSESSION AND EXECUTION PROCESSES

| *In millions of euros* | Value at initial recognition | Accumulated negative changes |
|---|---|---|
| Property, plant and equipment (PP&E) | | |
| Other than PP&E | | |
| *Residential immovable property* | | |
| *Commercial Immovable property* | | |
| *Movable property (auto, shipping, etc.)* | | |
| *Equity and debt instruments* | | |
| Other | | |
| **TOTAL** | | |

### IV-15 CR2-A – CHANGES IN THE STOCK OF GENERAL AND SPECIFIC CREDIT RISK ADJUSTMENTS

| *In millions of euros* | Accumulated specific credit risk adjustment | Accumulated general credit risk adjustment |
|---|---|---|
| **OPENING BALANCE** | **856** | |
| Increases due to amounts set aside for estimated loan losses during the period | 728 | |
| Decreases due to amounts reversed for estimated loan losses during the period | (302) | |
| Decreases due to amounts taken against accumulated credit risk adjustments | (163) | |
| Transfers between credit risk adjustments | | |
| Impact of exchange rate differences | (39) | |
| Business combinations, including acquisitions and disposals of subsidiaries | | |
| Other adjustments | 0 | |
| **CLOSING BALANCE** | **1,080** | |
| Recoveries on credit risk adjustments recorded directly to the statement of profit or loss | 9 | |
| Specific credit risk adjustments directly recorded to the statement of profit or loss | 117 | |

### IV-16 CR2-B – CHANGES IN THE STOCK OF DEFAULTED AND IMPAIRED LOANS AND DEBT SECURITIES

| *In millions of euros* | GV defaulted exposures |
|---|---|
| **Opening balance** | **676** |
| Loans and debt securities that have defaulted or impaired since the last reporting period | 538 |
| Returned to non-defaulted status | (328) |
| Amounts written off | (117) |
| Other changes | |
| **Closing balance** | **769** |

Defaulting exposures and valuation adjustments on “other categories of exposures” are non-significant.

The following three templates provide information on exposures subject to legislative and nonlegislative moratoria on loan repayments applied in the light of the Covid19 crisis, on newly originated exposures subject to public guarantee schemes and the impairment attached to.

### IV-17 INFORMATION ON LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA

| | Gross carrying amount | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Performing | | | Non performing | | |
| | | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days |
| Loans and advances subject to moratorium | 288,421,523 | 286,851,323 | - | 63,011,233 | 1,570,200 | - | 143,670 |
| *of which: Households* | *100,296,553* | *99,879,266* | - | *22,157,795* | *417,288* | - | *116,306* |
| *of which: Collateralised by residential immovable property* | - | - | - | - | - | - | - |
| *of which: Non-financial corporations* | *188,124,970* | *186,972,057* | - | *40,853,438* | *1,152,913* | - | *27,364* |
| *of which: Small and Medium-sized Enterprises* | *148,569,384* | *147,416,471* | - | *24,119,173* | *1,152,913* | - | *27,364* |
| *of which: Collateralised by commercial immovable property* | - | - | - | - | - | - | - |

At the end of December, on our Individuals and Corporate portfolio (excluding Dealers), exposures under not yet expired moratoria measures amounts to €264 million.

In Network financing (Dealers), the total exposures subject to not yet expired moratoria amounts to €25 million.

### IV-18 BREAKDOWN OF LOANS AND ADVANCES SUBJECT TO LEGISLATIVE AND NON-LEGISLATIVE MORATORIA BY RESIDUAL MATURITY OF MORATORIA

| | | Gross carrying amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Residual maturity of moratoria | | | | |
| | Number of obligors | | Of which: legislative moratoria | Of which: expired | <=3 months | >3 months <=6 months | >6 months <=9 months | >9 months <=12 months | >1 year |
| Loans and advances for which moratorium was offered | 262,830 | 6,506,240,171 | | | | | | | |
| Loans and advances subject to moratorium (granted) | 250,762 | 6,444,938,331 | 716,585,460 | 6,156,516,808 | 215,458,191 | 9,325,824 | 2,859,803 | 3,514,804 | 57,262,901 |
| Of which: Households | | 834,665,850 | 436,012,210 | 734,369,297 | 88,833,960 | 2,429,982 | 661,205 | 641,210 | 7,730,196 |
| *Of which: Collateralised by residential immovable property* | | - | - | - | - | - | - | - | - |
| Of which: Non-financial corporations | | 5,610,272,481 | 280,573,250 | 5,422,147,511 | 126,624,231 | 6,895,842 | 2,198,598 | 2,873,594 | 49,532,705 |
| *Of which: Small and Medium-sized Enterprises* | | *1,970,900,971* | *204,267,324* | *1,822,331,588* | *96,184,222* | *6,642,761* | *934,572.* | *2,458,877* | *42,348,952* |
| *Of which: Collateralised by commercial immovable property* | | - | - | - | - | - | - | - | - |

| Accumulated impairment, accumulated negative changes in fair value due to credit risk | | | | | | | Gross carrying |
|---|---|---|---|---|---|---|---|
| | Performing | | | Non performing | | | Inflows to non-performing exposures |
| | | Of which: exposures with forbearance measures | Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2) | | Of which: exposures with forbearance measures | Of which: Unlikely to pay that are not past-due or past-due <= 90 days | |
| (39,732,025) | (38,765,902) | - | (3,384,946) | (966,124) | - | (64,911) | 582,324 |
| *(14,742,187)* | *(14,295,989)* | - | *(1,151,204)* | *(446,198)* | - | *(55,153)* | *7,620* |
| - | - | - | - | - | - | - | - |
| *(24,989,838)* | *(24,469,912)* | - | *(2,233,742)* | *(519,926)* | - | *(9,758)* | *574,704* |
| *(20,275,075)* | *(19,755,149)* | - | *(808,824)* | *(519,926)* | - | *(9,758)* | *574,704* |
| - | - | - | - | - | - | - | - |

## IV-19 INFORMATION ON NEWLY ORIGINATED LOANS AND ADVANCES PROVIDED UNDER NEWLY APPLICABLE PUBLIC GUARANTEE SCHEMES INTRODUCED IN RESPONSE TO COVID-19 CRISIS

| | Gross carrying amount | Maximum amount of the guarantee that can be considered | Gross carrying amount |
|---|---|---|---|
| | Of which: forborne | Public guarantees received | Inflows to non-performing exposures |
| **NEWLY ORIGINATED LOANS AND ADVANCES SUBJECT TO PUBLIC GUARANTEE SCHEMES** | | | |
| *Of which: Households* | | | |
| *Of which: Collateralised by residential immovable property* | | | |
| *Of which: Non-financial corporations* | | | |
| *Of which: Small and Medium-sized Enterprises* | | | |
| *Of which: Collateralised by commercial immovable property* | | | |

RCI Banque has not granted loans and advances under public guarantee schemes.

# 2 CREDIT RISK MANAGEMENT PROCESS

For both the Customers and the Wholesale business, the credit risk prevention policy aims to ensure that the budgeted cost of risk for each country and main markets is met.

RCI Banque uses advanced scoring systems, and external databases whenever the information is available, to assess the capacity of individual and business customers to meet their commitments. An internal rating system is also used to assess loans to dealerships. RCI Banque constantly monitors its acceptance policy to consider the economic environment conditions. In 2020 due to the particular economic background, underwriting policies were strengthened in various countries as for example in France, or Spain.

## Customer risk management

The acceptance policy is adjusted and the tools (approval scores, combined with additional rules) are optimized regularly consequently. Collection of incident-flagged or defaulted receivables is also adjusted regarding the means or strategy, according to customer typology and the difficulties encountered. In 2020, collection and management Teams were temporarily reinforced in most of the countries in order to be able to deal with customers situations within the Covid-19 crisis (start and end of moratoriums, manage when observed temporarily higher volumes of day past due, etc.).

At the Corporate level, the Operations and Credit Risk Management department analyses and follows the cost of risk of the subsidiaries and coordinates the action plans aimed at achieving the set targets. Granting conditions are subject to the strict Corporate rules, and the management of the financing and the recovery is very deeply monitored. The subsidiaries' performances in terms of the quality of acceptance and the collection efficiency are analyzed in monthly Risk reports and are presented to the Corporate by the subsidiaries during committees. Their frequency depends on the significance of the country concerned and its current topics.

The treatment of restructured debt is compliant with the Basel Committee guidelines and the recommendations of the European Central Bank. This treatment is laid down in a framework procedure and declined in the local management/recovery procedures. Adjustments were made in the Covid-19 2020 background, as explained above, and in line with ECB guidelines received.

In addition, as mentioned in IV – I above, various analysis and adjustments were made in 2020 facing the Covid-19 crisis.

## Dealer risk management

For the perimeter of each subsidiary, the Dealers are monitored daily by the means of short-term indicators that, combined with long-term indicators, identify in advance any deal presenting a partial or total risk of non-collection. Within the subsidiaries with internal model in place, the internal rating plays a key role in identifying deals that present a heightened risk of default.

At the Corporate level, the Wholesale Funding department puts in place the corpus of risk control procedures. Customers identified as risky are classified as "incident", "pre-alert" or "doubtful". High risk customers are reviewed within the Risk Committees in the subsidiaries. The members of said Risk Committees include the manufacturers' local managers and RCI Banque managers dealing with the network to decide on the action plans and urgent interim measures needed to manage the risk.

## Retail customer business results at the end of December 2020

The IFRS 9 provisioning standard has been applied since 1st January 2018 in all entities in the RCI Bank & Services group consolidation perimeter. Two distinct methods have been employed depending on the size of the entity in question:

- a method based on using behavior and loss rate internal models (France, Germany, Spain, Italy, United Kingdom, Korea, Brazil), in which the Bucket 1/Bucket 2 exposures are staged according to the rating from behavior models, and their evolution since the origination, the staging in Bucket 3 corresponding to the default status. The discounted provision is determined in accordance with point-in-time risk parameters (especially Probabilities of Default and Loss Given Default rate calculated on recent records) specific to IFRS 9 provisioning;
- for other entities using the standard method, provisions are calculated using transition matrices applied to the portfolio's aged balances. In this context, the Bucket 2 corresponds to the receivables with past due more than 30 days at the closing date, or that encountered a past due amount in the last 12 months.

The Retail Customer cost of risk at end 2020 closed at 0.89% of average performing assets (APA), against 0.47% in 2019.

Considering 2020 particular economic background due to the Covid-19 crisis, €127 million exceptional provisions were made to cover:

- moratoriums and forborn, and case by case corporate coverages;
- the update of the statistical forward looking provision, including in addition a collective coverage for the exposures on the most risky sectors due to Covid-19 crisis and consequences.

Excluding these exceptional items, 2020 cost of risk is at €212,5 million or 0.56% of average performing assets.

In most of the countries, operational key indicators (default probabilities and transfer to default rate in particular) are back to pre-Covid-19 levels, after higher levels observed during 2020. They may still be impacted by active moratoriums in place (Morocco, Italy...), or recently expired moratoriums, justifying a strict follow-up and a higher coverage. Transfer to default rate in Brazil remains under pressure because of forborn exposures and their transfer to default after 30 days past due.

At the end of 2020, the share of retail & corporate customers' defaulted outstanding is 1.79% for a total of €704 million (including factoring). This increase reflects the exceptional economic context experienced in 2020 (Covid-19 crisis and a 1.5% decrease in customer outstandings), mitigated by the measures restricting granting in various countries as well as by collection processes reinforcement. The coverage rate for questionable outstandings reached 67.5% at the end of 2020 (compared to 68.3% at the end of 2019).

Total restructured customer receivables (excluding Networks) amounted to €444 million at the end of 2020, compared to €123 million at the end of 2019. Debt restructuring was applied on an ad hoc basis in the atypical context of fiscal year 2020, temporarily and in a targeted manner. Some exposures under active or recently expired moratoriums have been downgraded to restructured debts at the end of 2020 (€190 million), in view of the long delays in postponements from which the group's clients benefited in certain countries, in application of legal schemes. They contribute to the increase in restructured receivables.

### Dealer business results at end of December 2020

RCI Banque continued its policy of support for manufacturers and their distribution networks by providing suitable financing solutions. In that respect, managing inventories with the manufacturers and ensuring their appropriateness for market conditions remained a priority since the beginning of the Covid-19 crisis.

In 2020, RCI Banque stabilized its international presence and supported the development of Alliance brands and their dealer networks.

Dealer network outstanding across the entire scope of operations sank by €2.8 billion compared to end-December 2019 and amounted €9.0 billion at end-December 2020.

The 2020 cost of risk is on net endowment at €18 million (0.19% of the average performing outstanding), mainly linked to additional Forward-looking provisions of €23 million, which takes into account the macro-economic environment.

Bad debt fell by 22%, from €54 million at end-December 2019 to €42 million at end-December 2019, its part in global outstanding was almost stable at less than 0.5%.

In 2020, net write-offs reached only €1.1 million (in particular France €363 thousand, Spain €497 thousand and Brazil €394 thousand whereas in Germany an amount of €168 thousand was recovered on returns to better fortunes).

Restructured receivables outstanding was limited to €2.3 million, a low level, and down on last year (€3.7 million at December 2019), which confirms the low risk on Dealer network finance.

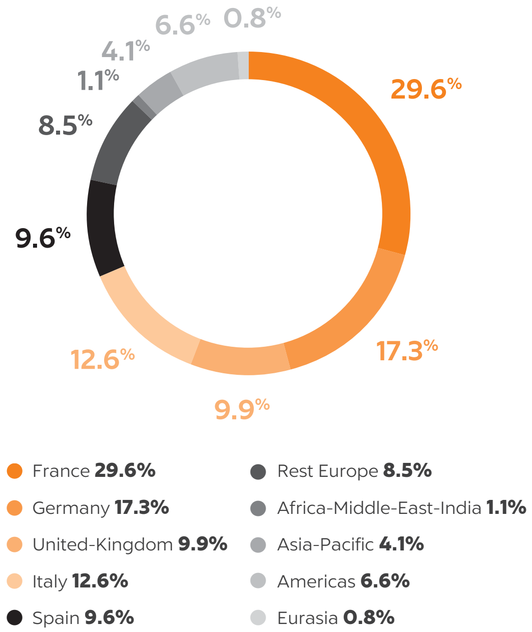
## 3 DIVERSIFICATION OF CREDIT RISK EXPOSURE

RCI customer performing assets at end December 2020 decrease by 2,5% at €38 billion. They are spread over 26 countries, with Europe well represented. The particular background of 2020 exercise (Covid-19 crisis) leads to a decrease in most of the countries, at different levels. A smooth increase is observed nevertheless in France, Germany, the Netherlands, Nordics, and Romania. Colombia shows an increase by 13%. In amount, Brazil and Spain takes the main part in the decrease by around €988 million of the customer performing assets. The weight of G7 countries (IRB approved for France, Italy, Germany, Spain, United Kingdom and South Korea or included in the approval plan for Brazil) remains quite stable at 88.6% of total RCI in 2020.

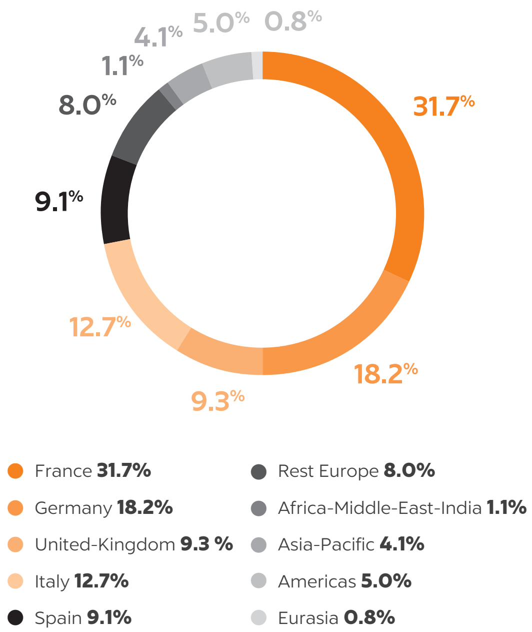
In terms of the breakdown of customer business by product, credits represented 60% of RCI outstandings, financial leases 36%, up 2 points, and operating leases (including battery leases) 4%.

## IV-20 RETAIL CREDIT RISK EXPOSURE

### RETAIL 12/2019



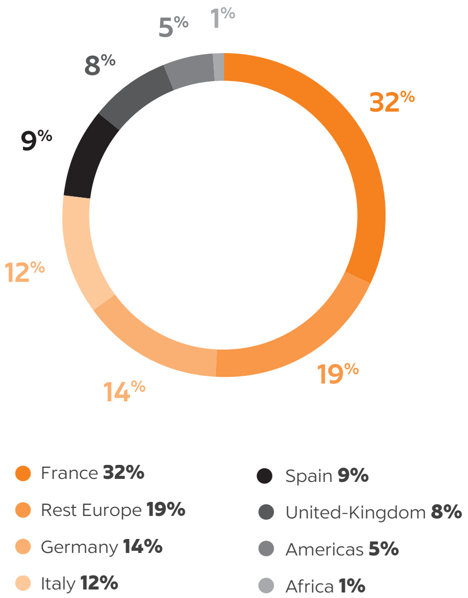

### RETAIL 12/2020



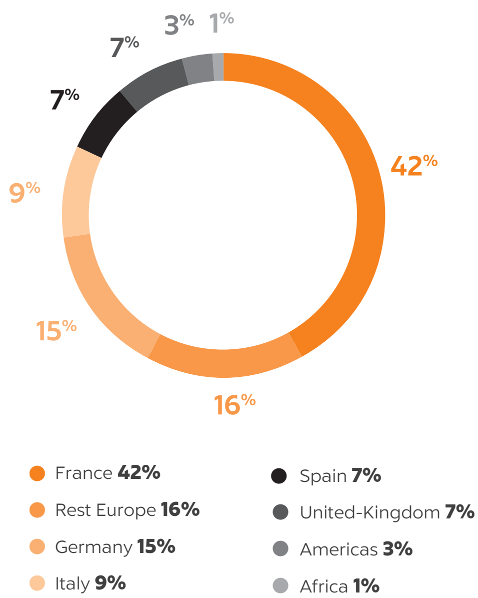

Dealer Network outstanding is spread across 25 consolidated countries, predominantly in Europe. The breakdown of outstanding by country is less stable than in previous years. The outstanding in France stayed on the same level as in end-December 2019 (€3.7 billion), however its weight has increased by 10 points (from 32% to 42%) due to lower outstanding in all other countries except for Switzerland. Germany and Italy remained in second and third place respectively, while the United Kingdom overtook Spain to move up to fourth place.

## IV-21 WHOLESALE CREDIT RISK EXPOSURE

### WHOLESALE 12/2019




### WHOLESALE 12/2020



# 4 RISK-WEIGHTED ASSETS

RCI Banque uses the advanced method to measure credit risk for customer outstandings in the following countries: France, Germany, Spain, Italy, South Korea and the United Kingdom. For all other exposures and risks, RCI Banque uses the standardized method.

# 5 ADVANCED METHOD

RCI Banque has adopted the most advanced methods proposed by the reform known as Basel II/III to measure and monitor its credit risks, all parameters are therefore estimated internally. The values thus measured are applied to calculate exposure risks on the Retail, Corporate and Dealer customers. Six big countries (Germany, Spain, France, Italy, South Korea and United Kingdom[(1)]) are treated using the advanced approach based on internal ratings.

For all of these scopes, RCI has obtained the following authorizations:

- for France, Germany, Italy and Spain, approved in January 2008;
- for the United Kingdom, approved in January 2010;
- for Korea, approved in June 2011.

The credit risk models applied within RCI Banque are subject to on-site supervisor inspections, giving rise to obligations and/or recommendations and, where applicable, the establishment of temporary additional margins on the parameters estimated by the Bank.

## a) Organization

The tools and processes used to calculate credit-risk-weighted assets, and the publication of statements that optimize credit risk control, are the responsibility of the Customers and Operations division.

Consolidation of the solvency ratio, production of regulation statements and measurement of internal capital are the responsibility of the Accounting and Performance Control division.

## b) Information system

The centralized database of risks (BCR) stores credit risk data coming from acceptance, management and accounting applications, on the three markets and for the most significant countries.

This database provides input data for decision-makers to assess risks, and the Risk AuthoritY software package (RAY) calculates the solvency ratio. RAY is also fed by data from the KTP Cristal refinancing operations and consolidation tool.

The data collected and calculated in these information systems is controlled technically and functionally throughout the production line, from gathering information from upstream systems to the end results. These quality controls are monitored monthly at the level of the production chain according to the criticality of the data.

Further to an analysis of these controls, action plans have been put in place.

The information system in place provides the data dimensions needed to analyze the ratio. For instance, monthly statements show the components of weighted assets in respect of the advanced method (probability of default, loss given default, exposures, expected losses, etc.) according to several criteria:

- Sound outstandings and defaulted outstandings broken down by type of financing;
- A separation between balance sheet and off-balance sheet exposures;
- A breakdown by country;
- A breakdown by customer category (individuals, self-employed persons, small companies, medium-sized and large companies according to turnover, very big corporations and the dealership network);
- A distribution according to customer characteristics (age of the customer or company, line of business, etc.), according to the characteristics of the financing plan (initial term, amount paid up front, etc.) and according to the characteristics of the financed good (new or used vehicle, models, etc.).

These data dimensions are also used for the monthly analysis of the management cost of risk.

## c) Segmentation of exposures by the advanced method

All figures relating to credit risk exposures concern gross exposures, i.e. before application of Credit Conversion Factors and Credit Risk Mitigation techniques.

The RWA density (weighted risks/exposures) totals 47% for the Retail portfolio and 62% for the overall Corporate portfolio using the advanced internal rating method and 64% for the foundation internal rating method.

The %CCF (Credit Conversion Factor) has been changed to 0% on most of the off-balance sheet exposures towards companies, the credit lines being unconditionally cancellable at any time without notice in case of a deterioration of the borrower's creditworthiness. The overall average %CCF is at 41%.

The calculated average rates are at 78% for the retail financing commitments (representing €861 million), and 1% for the corporate approvals (representing €794 million).

(1) For these six countries, some portfolios are in standard approach (examples: Corporates in the United Kingdom, Large Corporates outside France). Furthermore, RCI Korea is not concerned by the dealer financing activity.

### IV-22 CR6 – IRB APPROACH – CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

| PD scale *(in millions of euros)* | Original on-balance sheet gross exposure | Off-balance sheet exposures pre CCF | Average CCF | EAD post CRM and post-CCF | Average PD | Number of obligors |
|---|---|---|---|---|---|---|
| **Portfolio Corporates FIRB** | | | | | | |
| 0.00 to <0.15 | 3 | | | 3 | 0.03% | 1 |
| 0.15 to <0.25 | | | | | | |
| 0.25 to <0.50 | 24 | | | 24 | 0.35% | 3 |
| 0.50 to <0.75 | | | | | | |
| 0.75 to <2.50 | 6 | | | 6 | 0.81% | 5 |
| 2.50 to <10.00 | | | | | | |
| 10.00 to <100.00 | | | | | | |
| 100.00 (Default) | | | | | | |
| **SUB-TOTAL CORPORATE FIRB** | **33** | | | **33** | **0,41%** | **9** |
| **Portfolio Corporates AIRB** | | | | | | |
| 0.00 to <0.15 | 270 | 56 | | 270 | 0.03% | 478 |
| 0.15 to <0.25 | 329 | 14 | | 304 | 0.22% | 63 |
| 0.25 to <0.50 | 322 | 62 | 2% | 323 | 0.36% | 449 |
| 0.50 to <0.75 | 3,180 | 98 | | 2,646 | 0.81% | 640 |
| 0.75 to <2.50 | 3,054 | 308 | 1% | 3,023 | 1.60% | 4,444 |
| 2.50 to <10.00 | 2,371 | 177 | 1% | 2,269 | 5.86% | 2,666 |
| 10.00 to <100.00 | 683 | 73 | 1% | 684 | 21.21% | 681 |
| 100.00 (Default) | 160 | 6 | 3% | 160 | 100.00% | 197 |
| **SUB-TOTAL CORPORATE AIRB** | **10,367** | **794** | **1%** | **9,679** | **5.26%** | **9,618** |
| **Portfolio Retail** | | | | | | |
| 0.00 to <0.15 | 1,580 | 60 | 100% | 1,640 | 0.09% | 318,215 |
| 0.15 to <0.25 | 2,398 | 72 | 100% | 2,470 | 0.21% | 363,100 |
| 0.25 to <0.50 | 5,916 | 201 | 99% | 6,115 | 0.38% | 599,415 |
| 0.50 to <0.75 | 3,288 | 70 | 81% | 3,344 | 0.54% | 264,775 |
| 0.75 to <2.50 | 9,359 | 333 | 70% | 9,592 | 1.40% | 764,828 |
| 2.50 to <10.00 | 3,035 | 100 | 40% | 3,075 | 5.14% | 280,369 |
| 10.00 to <100.00 | 1,046 | 23 | 36% | 1,055 | 23.63% | 86,836 |
| 100.00 (Default) | 433 | 1 | 34% | 433 | 100.00% | 51,927 |
| **SUB-TOTAL RETAIL** | **27,054** | **861** | **78%** | **27,724** | **3.69%** | **2,729,465** |
| **TOTAL (ALL PORTFOLIOS)** | **37,455** | **1,655** | **41%** | **37,436** | **4.09%** | **2,739,092** |

| Average LGD | Average maturity (Years) | RWA | RWA density | EL | Provisions |
|---|---|---|---|---|---|
| | | | | | |
| 45.00% | 2.5 | 0 | 15.28% | | |
| | | | | | |
| 45.00% | 2.5 | 15 | 62.27% | 0 | |
| | | | | | |
| 45.00% | 2.5 | 6 | 90.30% | 0 | |
| | | | | | |
| | | | | | |
| | | | | | |
| 45% | 2.5 | 21 | 63.59% | 0 | |
| | | | | | |
| 41.50% | 1.5 | 26 | 9.76% | 0 | 0 |
| 18.83% | 1.1 | 37 | 12.26% | 0 | 0 |
| 39.48% | 1.6 | 150 | 46.53% | 0 | (1) |
| 21.80% | 1.2 | 822 | 31.08% | 4 | (3) |
| 30.06% | 1.2 | 1,710 | 56.55% | 13 | (15) |
| 30.28% | 1.2 | 2,038 | 89.82% | 35 | (29) |
| 34.95% | 1.2 | 1,120 | 163.79% | 54 | (44) |
| 55.09% | 1.1 | 143 | 89.55% | 77 | (48) |
| **28.90%** | **1.2** | **6,047** | **62.47%** | **183** | **(141)** |
| | | | | | |
| 54.07% | | 207 | 12.64% | 1 | (1) |
| 46.63% | | 512 | 20.71% | 2 | (3) |
| 49.54% | | 1,892 | 30.93% | 11 | (9) |
| 46.67% | | 1,233 | 36.87% | 9 | (10) |
| 50.16% | | 5,532 | 57.67% | 67 | (66) |
| 51.48% | | 2,367 | 76.97% | 81 | (106) |
| 49.16% | | 1,171 | 111.03% | 125 | (117) |
| 84.51% | | 144 | 33.17% | 357 | (323) |
| **50.16%** | | **13,057** | **47.10%** | **654** | **(632)** |
| **44.66%** | | **19,125** | **51.09%** | **837** | **(773)** |

## d) Borrower data dimension – Probability of Default (PD) parameter

Monthly revaluation of customer risks is based on:

- a model for ranking the risk of default;
- a method for quantifying the related probability of default.

### i) Risk ranking model

The ranking of counterparty risk results from a score that includes both the customer's characteristics and the latter's payment record. The methodology is adjusted to each customer typology to factor in the nature of the available information generally used by business experts to assess the risks.

The table below provides the mapping of the developed models.

### ii) Allocation to a class of risk and quantification of the PD related to each class

The rating scales feature a number of classes adjusted to the granularity of the portfolio. Retail customers are divided into ten classes for the sound portfolio and one default class; Corporate and Dealer portfolios are divided into seven classes.

The required degree of reliability for internal rating has nonetheless meant that each "country/customer segment" portfolio has been broken down in a specific manner: for a given segment, the risk attached to a particular class in France, measured by its representative PD, is different from the risk attached to the same class in Spain.

The PD associated with each class is calculated by factoring in historically observed default rates.

It is specified that new PD Retail models for all countries were put into production in 2020, following their validation by the ECB.

**IV-23 SEGMENTATION OF EXPOSURES BY THE ADVANCED METHOD AND AVERAGE PD BY COUNTRY**

| Category of exposure | IRBA countries | Average sound portfolio PD at 31/12/2020 |
|---|---|---|
| Retail customers | Germany | 1.20% |
| | Spain | 1.40% |
| | France | 2.34% |
| | Italy | 1.63% |
| | United Kingdom | 3.01% |
| | South Korea | 0.98% |
| Small and medium-sized companies | Germany | 2.35% |
| | Spain | 3.41% |
| | France | 4.44% |
| | Italy | 4.04% |
| | United Kingdom | 2.81% |
| | South Korea | 1.46% |
| | Germany | 2.62% |
| | Spain | 9.81% |
| | France | 3.55% |
| | Italy | 3.02% |
| Large corporations | United Kingdom | 2.02% |

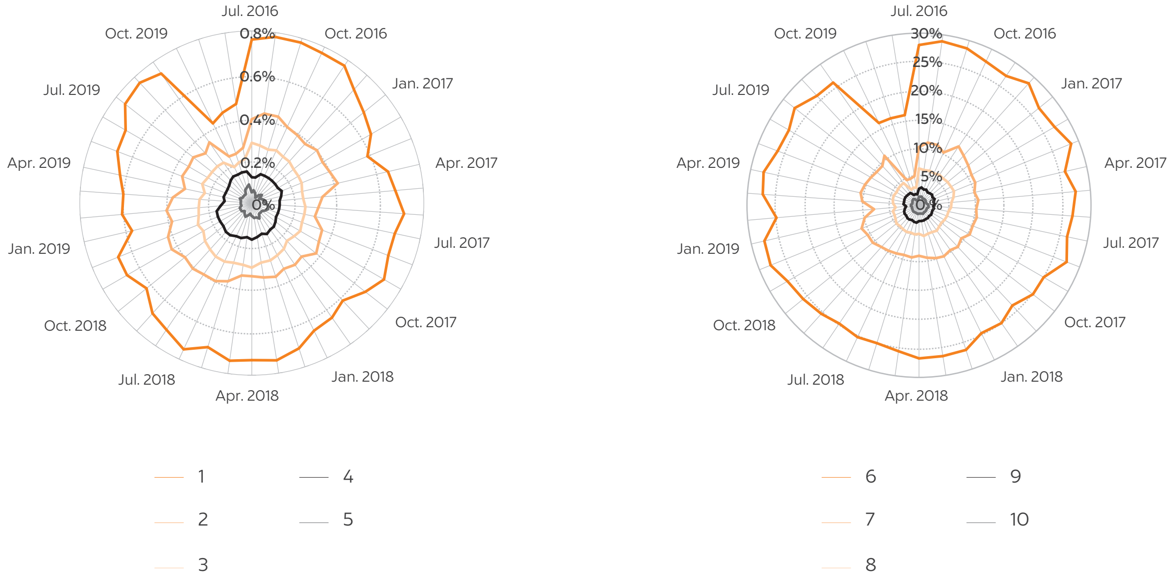
### iii) Testing PD models

The figures disclosed in this section come from the backtesting databases, which are in line with the modeling databases. The figures given in the previous sections correspond to the use of parameters, and so there may be differences in management rules. For example, the default rates and PDs derived from the backtesting are based solely on the performing portfolio. In addition, in backtesting, if a counterparty belongs to a consolidation group whose annual sales exceed €50 million, the exposure class for the group's components will not be impacted, which can cause volume and allocation differences.

In many countries, backtesting of PD models has underlined that the models can effectively prioritize risks but that they also overestimate PDs per class. It should be noted that the internal backtesting procedures focus on calibrations by class of risk over time and not by class of exposure with PD averages in numbers and not in outstandings.

This is illustrated in the following graphs.

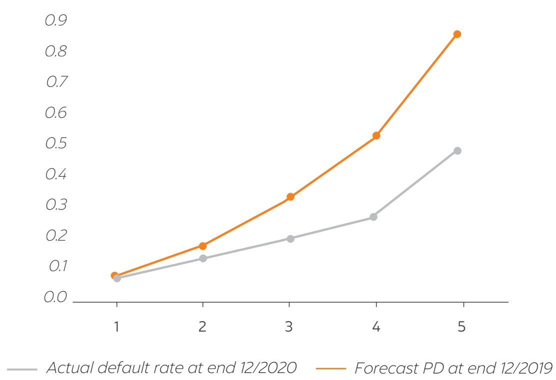
### IV-24 HISTORY OF DEFAULT RATES PER CLASS



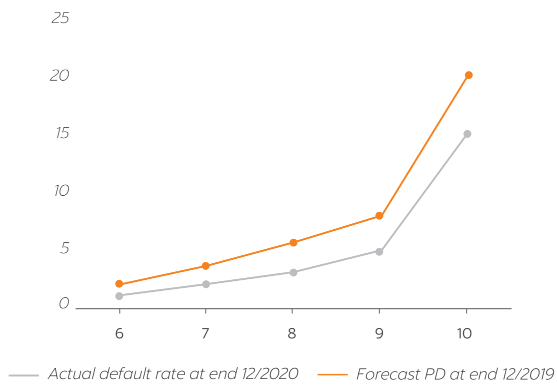

Since the curves by rating class are concentric, the two graphs above enable to conclude that the model is discriminant. Variations of default rate by rating grades at the end of 2019 are due to the new PD's models put into production in 2020.

### IV-25 BACKTESTING OF CONSUMER PD MODEL FOR GERMANY AT END-DECEMBER 2020

#### CLASS 1 TO 5




#### CLASS 6 TO 10




The amber curve of calibrated PDs for the range of ratings under consideration is strictly above the actual default rate observed. The Consumer PD model for Germany is therefore adequately calibrated at the end of December 2019.

When external ratings are available (i.e. for the very big French corporations), a migration matrix between internal and external ratings is calculated for backtesting exercises. An annual match rate is calculated according to the following two scenarios: without a rating difference and with a rating difference in absolute value (nearly 99%).

### IV-26 CR9 – IRB APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS

| | At the end of previous year (31/12/2019) | | Number of obligors | | | | |
|---|---|---|---|---|---|---|---|
| **Exposure class** | **Weighted average PD** | **Arithmetic average PD by obligors** | **End of previous year (31/12/2019)** | **End of the year (31/12/2020)** | **Default obligors in 2020** | **Of which new obligor in 2020** | **AVERAGE historical annual defaut rate** |
| Retail individuals | 1.64% | 2.67% | 2,545,670 | 2,555,542 | 25,043 | 1,063 | 2.03% |
| SME | 5.53% | 5.01% | 175,637 | 175,397 | 3,922 | 247 | 3.92% |
| Large companies | 1.67% | 1.60% | 1,889 | 1,879 | 15 | 1 | 0.58% |
| Dealers | 1.90% | 2.41% | 1,877 | 1,801 | 13 | 0 | 1.62% |

In accordance with RCI practice, the historical average captures maximum historical depth and is therefore not restricted solely to the last five years.

Across all exposure class, PDs are greater than the default rate. Moreover, quarterly backtesting of PD models, enables to ensure internal models performance: conservatism, discriminatory power and stability.

## e) Transaction data dimension – Loss given default (LGD) parameter

Economic losses are estimated using discounted recovery flows for Retail Customers and Corporates, or debt write-offs for the car dealers, on the basis of historical data generally going back at least seven years. Recovery costs are factored in according to the management phases involved. After analysis, transactions have been grouped into segments representing homogeneous loss levels.

The quantifying of these losses per segment results from a statistical model the main vectors of which are a generational analysis of recoveries and the speed of collection.

### IV-27 SEGMENTATION OF EXPOSURES BY THE ADVANCED METHOD AND AVERAGE LGD BY COUNTRY

| Category of exposure | IRBA countries | Population group segmentation | Type of model | Intenal/ External model | Average sound portfolio LGD | Average loss computed at the last backtesting |
|---|---|---|---|---|---|---|
| **Retail individuals SME** | France | Credit with ratio Maturity(1)/Forecast duration <=0.377 | Statistical | Internal | 64.64% | 56.43% |
| | | Credit with ratio Maturity(1)/Forecast duration >0.377 | | | 53.83% | 47.00% |
| | | Leasing with ratio Maturity(1)/Forecast duration <=0.432 | | | 49.33% | 37.93% |
| | | Leasing with ratio Maturity(1)/Forecast duration >0.432 | | | 39.80% | 30.61% |
| | Germany | Credit | Statistical | Internal | 28.55% | 22.82% |
| | | Leasing | | | 50.55% | 54.30% |
| | Spain | Duration before funding ends <=9 months | Statistical | Internal | 37.11% | 23.10% |
| | | 9 months<Duration before funding ends <=30 months | | | 51.73% | 32.78% |
| | | Duration before funding ends >30 months | | | 65.84% | 42.50% |
| | Italy | Credit VN | Statistical | Internal | 53.56% | 28.95% |
| | | Credit VO | | | 66.30% | 35.84% |
| | United Kingdom | Credit VN | Statistical | Internal | 53.33% | 44.45% |
| | | Credit VO | | | 62.43% | 52.03% |
| | South Korea | Maturity(1) <=10 months | Statistical | Internal | 79.78% | 74.35% |
| | | 10<Maturity(1) <=34 months | | | 64.75% | 60.34% |
| | | Maturity(1) >34 months | | | 63.56% | 59.23% |

| Category of exposure | IRBA countries | Population group segmentation | Type of model | Intenal/ External model | Average sound portfolio LGD | Average loss computed at the last backtesting |
|---|---|---|---|---|---|---|
| Corporate | France | Credit | Statistical | Internal | 43.00% | 37.54% |
| | | Leasing | | | 44.90% | 34.53% |
| | Germany | Credit | Statistical | Internal | 22.40% | 17.91% |
| | | Leasing | | | 32.30% | 34.70% |
| | Spain | Credit VN | Statistical | Internal | 47.60% | 32.19% |
| | | Credit VO | | | 54.47% | 37.77% |
| | | Leasing | | | 49.30% | 10.43% |
| | Italy | Single segment | Statistical | Internal | 53.20% | 28.76% |
| | United Kingdom | Single segment | Statistical | Internal | 49.30% | 41.09% |
| Dealers | G5(*) | R1 VN | Combined | Internal | 15.90% | 11.30% |
| | | R1 others | | | 33.50% | 23.90% |

*(*) G5: France, Germany, Spain, Italy, United Kingdom.*
*(1) This is the difference between the default date and the management date.*

The LGDs are updated yearly to factor in the most recent information when estimating the parameter. The principle of LGD backtesting is to compare the long run average of loss rate and the LGD calibrated in the previous year. The LGDs observed are conservative overall, despite an overshoot observed in one of the segments of German Retail, SME and Corporate Customers portfolio. Due to ECB approval new models of LGD for Retail/SME and dealers' customers portfolio for all countries was put into production in 2020.

The average loss given defaults on the sound portfolio is 49.75% for Retail Customers and 32.79% for the Corporate segment, the latter breaking down as 46.43% for non-Dealer companies and 20.63% for the Dealers.

**Customer** expected loss (EL) increased by 16,2% compared to December 2019 (+€105 million), as a result of the increases observed in the spring of 2020 when the outbreak crisis occurred, the first confinement measures and the complexity of land cover and vehicle seizures and resales during the confinement period.

EL for the **Dealers** increased by 55% (+€30.2 million) compared to December 2019, with an increase in default (+33.3%) and non-default (+80.5%) EL.

## f) Operational use of internal ratings

### i) Customers

#### Granting policy

Customers applying for financing plans are systematically rated by acceptance specific scoring; this situation, which pre-dated the "Basel" ratings, allow to set the initial direction of the application in the decision-making process, the study process concentrating on "intermediary and high" risks. Consistency between the acceptance rating and the "Basel" rating is ensured both in the construction of the rating models and in backtesting exercises. Beyond the operational process, the acceptance policy is regularly adjusted according to default rates and a break-even analysis by level of probability of default and loss given default.

#### Debt collection

The statistical models used to calculate weighted risks and expected loss enable probability of default determined at the time of granting to be updated monthly by factoring in the customer's payment record. This updating, which provides a clear vision of expected loss of the portfolio as part of the "budget process" is also a tool used to forward plan the activity of out-of-court and disputed debt collection platforms. On the basis of the same customer information, "recovery scores" have been deployed in Spain and South Korea to make the process more efficient.

### ii) Dealers

In the Dealers segment, all counterparties are systematically rated. All the rating components, or the rating itself, are included in the key operational processes of acceptance, management and monitoring of the activity and the risks.

Provisioning for the Wholesale financing activity is based on a categorization of the counterparties, individually, and on the basis of an examination of objective impairment indicators. The internal rating is the basis for this differentiation.

## g) Procedures for monitoring internal ratings

The results of the internal rating process, the performance of the models and the main data items making it up are monitored quarterly by the modeling teams. At least once a year, observed changes lead to a formal analysis according to a standard protocol described in a procedure. Differences between the models' forecasts and the actual figures are analyzed and summarized in a formal report that also includes a quantification of the impact on the capital requirement. Elements of the performance of the rating models are also reported twice a year to the Executive Committee during a dedicated presentation.

Regulatory changes with a significant impact on the models are monitored and analyzes in detail by the modeling teams.

This is notably the case for the EBA Regulatory Technical Standards (RTS) on the new definition of default for which two packages was sent to the ECB in 2020 and for which RCI is waiting for the ECB's decision.

Furthermore, the various elements of internal rating and of tests of the process produced by the modeling teams are reviewed independently by the model validation team of the Risk Control Unit to ensure their adequacy and their regulatory compliance.

#### IV-28 CR8 – RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER THE IRB APPROACH

The purpose of this section is to depict the root cause of RWA variation by quarterly step.

| *In millions of euros* | RWA amounts | Capital requirements |
|---|---|---|
| **RWA at 30/06/2020** | **18,799** | **1,504** |
| Asset size | (144) | (12) |
| Asset quality | (18) | (1) |
| Model updates | 0 | 0 |
| Methodology & policy | 0 | 0 |
| Acquisitions and disposals | 0 | 0 |
| Foreign exchange movements | 31 | 2 |
| Other | 0 | 0 |
| **RWA AT 30/09/2020** | **18,667** | **1,493** |

The decrease of RWA between June and September 2020 is due to the fall of outstanding on the portfolio. The foreign exchange movements mitigate this increase.

| *In millions of euros* | RWA amounts | Capital requirements |
|---|---|---|
| **RWA at 30/09/2020** | **18,667** | **1,493** |
| Asset size | 465 | 37 |
| Asset quality | 1,248 | 100 |
| Model updates | (1,294) | (104) |
| Methodology & policy | 0 | 0 |
| Acquisitions and disposals | 0 | 0 |
| Foreign exchange movements | 38 | 3 |
| Other | 0 | 0 |
| **RWA AT 31/12/2020** | **19,125** | **1,530** |

Between the two-last quarter of 2020 RWA are rising.

The downgrading of the asset's quality is mainly due to the change of PD's models that imply a different distribution of the assets into the rating grades. This impact is mitigated by the update of PD's parameters by rating grades (cf. line "Model updates").

# 6 STANDARDIZED METHOD

The credit risk exposures treated using the standardized method comprise financed sales outstandings of subsidiaries not treated using the advanced method, debts to credit institutions and central banks, and all other consolidated assets that are not credit obligations.

In order to calculate the capital requirement for credit risk under the standardized method, RCI Banque uses Moody's, the external credit rating agency, for sovereigns, international organizations, and corporate establishments and investments. Reconciliation of these ratings with the credit quality steps provided for under the regulations complies with the supervisor's requirements. Beyond this framework, there is no use of any external rating that cannot be applied directly. As regards unrated exposures, the RCI Banque group applies the regulatory weightings in accordance with the CRR.

For hedge transactions, the values of counterparty credit risk exposures on interest-rate or forex derivatives are determined by the market price method, adding, to the current replacement cost, the potential future credit exposure based on the remaining term. Such transactions still concern countries not covered by EMIR regulations.

### IV-29 CR4 – STANDARDIZED APPROACH – CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION (CRM) EFFECTS

| | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
|---|---|---|---|---|---|---|
| *In millions of euros* | On-balance sheet | Off-balance sheet | On-balance sheet | Off-balance sheet | RWA | RWA density |
| Central governments or central banks | 8,070 | 8 | 8,070 | 4 | 348 | 4.31% |
| Regional government or local authorities | 40 | 132 | 40 | 128 | 34 | 20.01% |
| Public sector entities | | | | | | |
| Multilateral development banks | | | | | | |
| International organisations | 15 | | 15 | | | |
| Institutions | 1,508 | 16 | 1,508 | 6 | 428 | 28.26% |
| Corporates | 3,270 | 416 | 3,169 | 18 | 3,156 | 99.02% |
| Retail | 6,593 | 364 | 6,590 | 135 | 4,746 | 70.58% |
| Secured by mortgages on immovable property | | | | | | |
| Exposures in default | 78 | 0 | 72 | 0 | 86 | 119.96% |
| Higher-risk categories | | | | | | |
| Covered bonds | | | | | | |
| Institutions and corporates with a short-term credit assessment | 133 | 12 | 133 | 3 | 162 | 118.72% |
| Collective investment undertakings | 192 | | 192 | | 192 | 100.00% |
| Equity | 225 | | 225 | | 557 | 248.04% |
| Other items | 1,837 | 17 | 1,837 | 17 | 1,630 | 87.90% |
| **TOTAL** | **21,960** | **965** | **21,850** | **310** | **11,338** | **51.16%** |

CRM: Credit Risk Mitigation

CCF: Credit Conversion Factor

The %CCF has been changed to 0% on most of the off-balance sheet exposures towards companies, the credit lines being unconditionally cancellable at any time without notice in case of a deterioration of the borrower's creditworthiness.

### IV-30 CR5 – STANDARDIZED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

| **Asset classes** *(in millions of euros)* | Risk weight | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **0%** | **2%** | **4%** | **10%** | **20%** | **35%** | **50%** | **75%** |
| Central governments or central banks | 7,920 | | | | 0 | | 3 | |
| Regional government or local authorities | | | | | 168 | | | |
| Public sector entities | | | | | | | | |
| Multilateral development banks | | | | | | | | |
| International organisations | 15 | | | | | | | |
| Institutions | | | | | 1,327 | | 49 | |
| Corporates | | | | | 14 | | 48 | |
| Retail | | | | | | | | 6,725 |
| Secured by mortgages on immovable property | | | | | | | | |
| Exposures in default | | | | | | | | |
| Higher-risk categories | | | | | | | | |
| Covered bonds | | | | | | | | |
| Inst. and corporates with a ST credit assessment | | | | | 33 | | 0 | |
| Collective investment undertakings | | | | | | | | |
| Equity | | | | | | | | |
| Other items | 0 | | | | 280 | | | |
| **TOTAL** | **7,936** | | | | **1,821** | | **101** | **6,725** |

| Risk weight | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 100% | 150% | 250% | 370% | 1250% | Others | Deducted | Total | Of which unrated |
| 13 | 10 | 127 | | | | | 8,074 | |
| 0 | | | | | | | 168 | 168 |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | 15 | |
| 138 | | | | | | | 1,514 | 1,400 |
| 3,094 | 31 | | | | | | 3,187 | 3,125 |
| | | | | | | | 6,725 | 6,725 |
| | | | | | | | | |
| 43 | 29 | | | | | | 72 | 71 |
| | | | | | | | | |
| | | | | | | | | |
| | 103 | | | | | | 136 | 103 |
| 192 | | | | | | | 192 | 192 |
| 3 | | 222 | | | | | 225 | 225 |
| 1,574 | | | | | | | 1,854 | 1,854 |
| **5,057** | **173** | **349** | | | | | **22,161** | **13,862** |

## 7 CREDIT RISK MITIGATION TECHNIQUES

RCI Banque group does not use netting agreements to reduce the commercial credit risk.

Mitigation techniques are allowed only in the form of cash and used solely according to the two agreements below in order to hedge the credit risk specific to the manufacturers' distribution network.

For exposures treated by the internal rating method, the capital requirements in respect of credit risk take into account financial collateral (in the form of a cash pledge agreement) amounting to €700 million granted by manufacturer Renault and protecting RCI Banque against the risk of the Renault subsidiaries defaulting on inventory financing. This protection is spread evenly over each exposure in the relevant scope by RAY's data processing. After application of the discount relating to the asymmetry of currencies, the impact on the value of €1 038 million of exposures (corporate category only) totaled €696 million.

With the standardized method, capital requirements in respect of credit risk include financial collateral (in the form of Letras de Cambio) protecting Brazilian subsidiary Banco RCI Brasil against the risk of default of its network of dealerships, for a total of €110 million at the end of December 2020, reducing exposures to €4 million for the corporate category, to €171 million for SMEs. This protection is allocated individually to each exposure concerned.

### IV-31 CR7 – IRB – EFFECT ON RWA OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

| *In millions of euros* | Pre-credit derivatives RWA | Actual RWA |
|---|---|---|
| **EXPOSURES UNDER FIRB** | | |
| Central governments and central banks | | |
| Institutions | | |
| Corporates – SMEs | | |
| Corporates – Specialised lending | | |
| Corporates – Other | 21 | 21 |
| **EXPOSURES UNDER AIRB** | | |
| Central governments and central banks | | |
| Institutions | | |
| Corporates – SMEs | 1,162 | 1,162 |
| Corporates – Specialised lending | | |
| Corporates – Other | 4,884 | 4,884 |
| Retail – Secured by real estate SMEs | | |
| Retail – Secured by real estate non-SMEs | | |
| Retail – Qualifying revolving | | |
| Retail – Other SMEs | 1,305 | 1,305 |
| Retail – Other non-SMEs | 11,752 | 11,752 |
| Equity IRB | | |
| Other non credit obligation assets | | |
| **TOTAL** | **19,125** | **19,125** |

# 8 COUNTERPARTY CREDIT RISK

## Counterparty risk management

RCI Banque is exposed to non-commercial credit risk (or counterparty risk), which arises in the management of its disbursements and its investments of cash surpluses, as well as the management of its foreign exchange risk or interest rate hedges, in the event that the counterparty were to default on its commitments in such types of financial transactions.

Counterparty risk is managed by a limit system set by RCI Banque, in line with counterparty risk appetite. These limits are also validated by its shareholder as part of Groupe Renault's counterparty risk consolidation. Calibration of RCI Banque's limits is based in particular on the level of own equity, the "long term" rating by rating agencies and appraisal of the quality of the counterparty. They are monitored daily and all control results are notified monthly to the RCI Banque's Financial Committee and are included in Groupe Renault consolidated counterparty risk monitoring.

Counterparty risk mitigation techniques are used for market transactions to protect the company in part or in full against the risks of insolvency of counterparties.

- RCI Banque negotiates its interest rate and forex derivatives used as asset and liability hedges under an ISDA agreement or equivalent and thereby has a legally enforceable right in case of default or a credit event (see Note 20 to the consolidated financial statements: Netting agreements and other similar commitments). In 2012 the EMIR (European Market Infrastructure Regulation) regulation published a series of measures designed to improve the stability and transparency of the derivatives market. The main measure concerns the use of clearing houses for transactions on derivatives and the collateralization of the said transactions. In Europe, RCI Banque books standardized interest-rate swap transactions in clearing houses. These transactions consist in deposits of an initial margin and regular exchanges of collateral in respect of variation margins. Foreign exchange derivatives uncollaterized are subject to bilateral margin call.
- Investments in securities are not hedged, in order to reduce credit exposure.

RCI Banque has no particular mechanism for managing correlation risk.

If its credit rating is downgraded, RCI Banque may be led to fund additional reserves as part of its securitization transactions. At 31 December 2020, the cash outflows required to fund such additional reserves should the three-star rating be downgraded totaled €211 million.

## Exposure to counterparty credit risk

### IV-32 CCR1 – ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

| *In millions of euros* | Notional | Replacement cost/current market value | Potential future exposure | EEPE | Multiplier | EAD post-CRM | RWA |
|---|---|---|---|---|---|---|---|
| Mark to market | | | | | | | |
| Original exposure | | | | | | | |
| Standardised approach | | 343 | | | | 343 | 78 |
| IMM (for derivatives and SFTs) | | | | | | | |
| *Of which securities financing transactions* | | | | | | | |
| *Of which derivatives and long settlement transactions* | | | | | | | |
| *Of which from contractual cross-product netting* | | | | | | | |
| Financial collateral simple method (for SFTs) | | | | | | | |
| Financial collateral comprehensive method (for SFTs) | | | | | | | |
| VaR for SFTs | | | | | | | |
| **TOTAL** | | | | | | | **78** |

RWAs on counterparty credit risk are based on exposure on derivatives, to which an add-on is allocated. The exposure is then weighted by risk in accordance with the standard method – based on counterparties' credit quality.

### IV-33 CCR3 – STANDARD APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

| | Risk weight | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | 0% | 2% | 4% | 10% | 20% | 50% | 75% | 100% | 150% | Others | Total | Of which unrated |
| Central governments or central banks | | | | | | | | | | | | |
| Regional government or local authorities | | | | | | | | | | | | |
| Public sector entities | | | | | | | | | | | | |
| Multilateral development banks | | | | | | | | | | | | |
| International organisations | | | | | | | | | | | | |
| Institutions | | | | | 298 | 31 | | | | | 329 | 286 |
| Corporates | | | | | | | | | | | | |
| Retail | | | | | | | | | | | | |
| Inst. and corporates with a ST credit assessment | | | | | 14 | 0 | | | | | 14 | |
| Other items | | | | | | | | | | | | |
| **TOTAL** | | | | | **312** | **31** | | | | | **343** | **286** |

### IV-34 CCR5-A – IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES

| *In millions of euros* | Gross FV or net carrying amount | Netting benefits | Netted current credit exposure | Collateral held | Net credit exposure |
|---|---|---|---|---|---|
| Derivatives | 343 | 26 | 317 | 280 | 37 |
| SFTs | | | | | |
| Cross-product netting | | | | | |
| **TOTAL** | **343** | **26** | **317** | **280** | **37** |

### IV-35 CCR5-B – COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

| | Collateral used in derivative transactions | | | | Collateral used in SFTs | |
|---|---|---|---|---|---|---|
| | Fair value of collateral received | | Fair value of posted collateral | | | |
| *In millions of euros* | Segregated | Unsegregated | Segregated | Unsegregated | Fair value of collateral received | Fair value of posted collateral |
| Cash – domestic currency | | 279 | 54 | | | |
| Cash – other currencies | | 1 | 2 | | | |
| Domestic sovereign debt | | | | | | |
| Other sovereign debt | | | | | | |
| Government agency debt | | | | | | |
| Corporate bonds | | | | | | |
| Equity securities | | | | | | |
| Other collateral | | | | | | 10 |
| **TOTAL** | | **280** | **56** | | | **10** |

### IV-36 CCR8 – EXPOSURES TO CCPS

| *In millions of euros* | EAD (post-CRM) | RWA |
|---|---|---|
| **EXPOSURES TO QCCPS (TOTAL)** | | **11** |
| Exposures for trades at QCCPs (excluding initial margin and default fund contributions) | 2 | 0 |
| ***(i)*** *of which OTC derivatives* | *2* | *0* |
| ***(ii)*** *of which Exchange-traded derivatives* | | |
| ***(iii)*** *of which Securities financing transactions* | | |
| ***(iv)*** *of which Netting sets where cross-product netting has been approved* | | |
| Segregated initial margin | 54 | |
| Non-segregated initial margin | | |
| Prefunded default fund contributions | | |
| Alternative calculation of own funds requirements for exposures | | |
| **EXPOSURES TO NON-QCCPS (TOTAL)** | | |
| Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions) | | |
| ***(i)*** *of which OTC derivatives* | | |
| ***(ii)*** *of which Exchange-traded derivatives* | | |
| ***(iii)*** *of which Securities financing transactions* | | |
| ***(iv)*** *of which Netting sets where cross-product netting has been approved* | | |
| Segregated initial margin | | |
| Non-segregated initial margin | | |
| Prefunded default fund contributions | | |
| Unfunded default fund contributions | | |

# V CREDIT VALUATION ADJUSTMENT RISK

For all over-the-counter derivatives, if derivatives recognized as credit protection are not used, the RCI Banque group determines a capital requirement for "Credit valuation adjustment" (CVA) risk.

This capital charge is designed to cover losses in the event of downgraded quality of the counterparty, entailing a decrease in the value of the derivatives.

The requirement is calculated by the standardized method defined in Article 384 of regulation (EU) 575/2013.

### V-1 CCR2 – CREDIT VALUATION ADJUSTMENT (CVA) CAPITAL CHARGE

| *In millions of euros* | **Exposure value** | **RWA** |
|---|---|---|
| Total portfolios subject to the Advanced CVA capital charge | | |
| **(i)** VaR component (including the 3×multiplier) | | |
| **(ii)** Stressed VaR component (including the 3×multiplier) | | |
| All portfolios subject to the Standardised CVA capital charge | 343 | 237 |
| Based on the original exposure method | | |
| **TOTAL SUBJECT TO THE CVA CAPITAL CHARGE** | **343** | **237** |

# VI SECURITIZATION

RCI Banque uses securitization as an instrument of diversification of its refinancing. RCI Banque acts exclusively with a view to refinancing its activities and does not invest in special purpose vehicles whose underlying obligations are originated by non-group companies.

In respect of its refinancing activities, the group securitizes some of its pools of receivables granted to individual customers or companies. Securities created for such transactions allow the group either to refinance itself or to increase its pool of assets that can be used as collateral with the European Central Bank.

In respect of prudential regulations, no transfer of risk deemed significant has been observed further to these transactions. They have no impact on the group's regulatory capital. Vehicles bearing assigned receivables are consolidated by the group. The group remains exposed to most of the risks and benefits attached to such receivables; furthermore, the latter cannot in parallel be the subject of a guarantee given or firm assignment as part of another transaction.

The group's securitization transactions all meet the economic capital retention requirement of not less than 5% mentioned in Article 405 of European Directive (EU) 575/2013.

The sales refinancing receivables retained in the balance sheet totaled €11 790 million on 31 December 2020 (€10 508 million on 31 December 2019), namely:

- for securitizations placed on the market: €2,283 million;
- for self-subscribed securitizations: €7,436 million;
- for private securitizations: €2,072 million.

The stock of securitized assets is itemized in Note 13 of the consolidated financial statements. At 31 December 2020, funding secured through private securitizations totaled €1 342 million, and funding secured through public securitizations placed on the markets totaled €2,119 million.

# VII MARKET RISK

## 1 THE MARKET RISK MANAGEMENT PRINCIPLE

The goals and strategies pursued by RCI Banque in connection with market risk are described in the part entitled "Consolidated financial statements – financial risks" – Appendix 2.

In the absence of a trading book, all the market risk arises from the group's foreign exchange position. This is explained by the structural foreign exchange exposure on the equity interests in subsidiaries outside the Eurozone. RCI Banque is exposed to the risk of variation in foreign exchange parities that can adversely affect its financial position.

The specific market risks control process is part of the RCI Banque group's overall internal control process.

## 2 GOVERNANCE AND ORGANIZATION

For the RCI Banque group's entire scope of consolidation, the management of market risks (overall interest rate risk, liquidity and foreign exchange risk) and due observance of the related limits are placed under the supervision of RCI Banque's Financing and group Treasury division, which manages them directly for subsidiaries refinanced centrally or indirectly through a reporting process and monthly Committee meetings for subsidiaries refinanced locally. The system of limits that controls the process is approved by the Board of Directors and periodically updated.

A list of authorized products, approved by RCI Banque's Financial Committee, specifies the foreign exchange and interest rate instruments and the nature of currencies liable to be used for market risk management purposes.

## 3 MEASUREMENT, MONITORING AND PRUDENTIAL TREATMENT

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.

Since May 2009, RCI Banque has been authorized by the French Prudential Supervision and Resolution Authority to exclude long-term and structural assets from its foreign exchange position. Accordingly, as the foreign exchange position is under the 2% threshold of own funds as defined in Article 351 of Regulation (EU) 575/2013, RCI Banque does not calculate capital requirements in respect of foreign exchange risk.

## 4 EXPOSURE

The sales financing entities are obliged to refinance themselves in their own currency and are thus not exposed to foreign exchange risk. RCI Banque's residual exposure on other assets and liability items (e.g. ICNE on loans in foreign currencies) is not material for RCI Banque. At 31 December 2020, the RCI Banque group's consolidated foreign exchange position totaled €5.8 million.

Finally, the own funds and annual earnings of RCI Banque entities outside the Eurozone are themselves subject to foreign exchange fluctuations and are not specifically hedged.

# VIII INTEREST-RATE RISK FOR PORTFOLIO POSITIONS

## 1 ORGANIZATION OF INTEREST RATE RISK MANAGEMENT

The overall interest rate risk represents the impact of fluctuating rates on the economic value and future incomes. The objective of the RCI Banque group is to mitigate this risk as far as possible. The specific interest rate risk control process is part of the RCI Banque group's overall internal control process. The goals and strategies pursued by RCI Banque in connection with the interest rate risk are described in the part entitled "Consolidated financial statements – financial risks". – Appendix 2.

## 2 GOVERNANCE AND ORGANIZATION

The Financing and group Treasury Division refinances group entities that are eligible for centralized refinancing. It borrows the funds needed to ensure the continuity of business (bond and negotiable debt instrument issues, securitizations, interbank loans, etc.), balances assets and liabilities and adjusts the cash position of group companies, while managing and minimizing exposure to portfolio interest rate risk by using appropriate hedging instruments (interest rate swaps, cross-currency swaps and spot and forward exchange transactions). The principles of financial policy extend to all RCI Banque group consolidated subsidiaries and are adapted in locally refinanced subsidiaries. The latter are subject to the same financial risk monitoring requirements as the group's other subsidiaries: compliance with interest rate and forex risks limits, monitoring liquidity risk, limiting counterparty risk and specific monitoring by a dedicated Financial Committee and ad hoc reporting.

Transactions in financial instruments made by the RCI Banque holding company essentially relate to its function as the group's Central Refinancing service. In order to take into account the difficulty of precisely adjusting the structure of borrowings with that of loans, limited flexibility is accepted in interest rate risk hedging for each subsidiary. This flexibility consists in a sensitivity limit being assigned to each subsidiary as approved by the Financial Committee, an individual adaptation of the overall limit set by RCI Banque's Board of Directors.

A group management system performs a daily calculation of each entity's balance sheet sensitivity to variations in yield curve.

The Financial Risks Team controls group exposure as measured by this system and observance of the sensitivity limits assigned to each entity.

## 3 MEASUREMENT AND MONITORING

Interest rate risk is monitored on a daily basis: a sensitivity calculation per currency, per management entity and per asset portfolio verifies that each entity complies with the individual limits assigned to it. This sensitivity to interest rate risk is measured using a methodology common to the entire RCI Banque group. The process keeps overall group exposure and the exposure of each entity at a low level.

Two indicators are monitored internally for interest rate risk:

- EV sensitivity (Economic Value) measures 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. The Economic Value is determined by discounting future cash flows at market rates. This measurement is used to set the limits that apply to the group's entities;
- Net Interest Income measures gains or losses following a shock of the interest rate curve, based on an income statement view. It is presented as the difference in future interest income over a defined horizon. The particularity of net interest income sensitivity, compared with the discounted vision of sensitivity, is the linearization of the impact of new transactions.

Two horizons are defined:

- 12-month sensitivity of the net interest income (NII – indicator framed by internal limits);
- sensitivity of the net interest income (NII) over the entire balance sheet schedule.

Different yield curve variation scenarios are considered, including different shocks of which:

- the shock of 100 bps, used for the management of internal limits;
- the shock following a 50 bps yield curve rotation around the 2-year point.

Calculations are based on average monthly asset and liability gaps (gap excluding interest amounts) which incorporate fixed-rate transactions and floating rate transactions until their next review date.

Maturities of outstanding are determined by taking into account the contractual characteristics of operations and the results of the modeling of historical customer behavior patterns (early repayment, etc.). Most of RCI's subsidiaries apply an early repayment rate calculated via a moving average based on historical observations over 12 months. Some subsidiaries apply a survival curve based on a statistical assessment.

In December 2019, the group Financial Committee validated the standardization of the methodology used to calculate early repayments at a rolling average over 12 months for the entire group.

To calculate interest rate risk measurement indicators, deposits are modeled as fixed-rate resources with an initial maturity of 3 months. The instantaneous duration is therefore approximately 1.5 months.

Measurements of NII sensitivity to calculate internal indicators, also take into account an allocation of entity own funds to the financing of the longest-term commercial assets.

Sensitivity is calculated daily per currency and per management entity (central financing office, French and foreign 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, which reports to the Risk and Banking Regulation 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 the controls are the subject of monthly reporting to the Financial Committee, which verifies due observance of the limits by the group's various entities, and of current procedures. Interest rate risk measurement indicators are presented quarterly to the Board of Directors' Risk Committee.

In accordance with regulatory changes (EBA/GL/2018/02), RCI Banque also measures the sensitivity of the Economic Value of Equity (EVE – indicator with internal alert thresholds and regulatory limits) via a standard indicator (+/-200 bps parallel) and a currency-differentiated indicator with six scenarios.

These regulatory indicators are computed quarterly and presented annually to the Financial Committee. They are reported in Statement VIIII-1 IRRBB1.

## 4 EXPOSURE

Over the year 2020, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group at €50 million in the event of a uniform shock of 100 bps on the whole of the yield curve.

Breakdown by currency of the sensitivity to NII following a 100-bps rise in rates (in MEUR) at 31 December 2019:

- +€4.3 million in EUR;
- -€0.6 million in BRL;
- +€0,6 million in KRW;
- -€0,3 million in GBP;
- -€0.1 million en PLN;
- +€0.2 million in CZK;
- +€0.5 million in CHF.

At 31 December 2020, the sum of sensitivities in each currency totaled €5.5 million, of which -€14.4 million for the 12-month NII. The sum of the absolute values of sensitivities in each currency totaled €9.4 million.

### VIII-1 IRRBB CHANGES IN RCI BANQUE'S ECONOMIC VALUE OF EQUITY AND NET INTEREST INCOME UNDER REGULATORY INTEREST RATE SHOCK SCENARIOS

| | CRD 4: 200 bps standard shock | | | Supervisory outlier test: 200 bps standard shock | | | Supervisory outlier test: Currency adjusted shock | | | Internal indicators | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31/12/2020 | 31/12/2019 | Variation | 31/12/2020 | 31/12/2019 | Variation | 31/12/2020 | 31/12/2019 | Variation | 31/12/2020 | 31/12/2019 | Variation |
| 31/12/2020 vs 31/12/2019 *(in thousands of euros)* | Δ EVE | Δ EVE | Δ EVE | Δ EVE with CAP | Δ EVE with CAP | Δ EVE with CAP | Total with CAP | Total with CAP | Total with CAP | NII 100 bps EUR [0; 60 Months] | NII 100 bps EUR [0; 60 Months] | |
| Parallel up | (410 461) | (433 064) | 22,603 | (394,447) | (414,539) | 20,092 | (426,986) | (452,754) | 25,768 | 5,064 | (552) | 5,616 |
| Parallel down | 410,461 | 433,064 | (22,603) | 82,885 | 91,202 | (8,317) | 91,416 | 102,733 | (11,317) | | | |
| Steepener | | | | | | | 61,188 | 74,717 | (13,529) | | | |
| Flattener | | | | | | | (157,926) | (190,441) | 32,515 | | | |
| Short rate up | | | | | | | (279,294) | (318,702) | 39,408 | | | |
| Short rate down | | | | | | | 88,992 | 97,174 | (8,182) | | | |
| **Maximum** | **410,461** | **433,064** | **(22,603)** | **394,447** | **414,539** | **(20,092)** | **426,986** | **452,754** | **(25,768)** | | | |
| **OWN FUNDS** | **6,880,470** | **6,189,322** | **691,148** | **6,880,470** | **6,189,322** | **691,148** | | | | | | |
| **CET1** | | | | | | | **6,190,904** | **5,649,721** | **541, 183** | | | |
| **EVE coverage ratio** | **5.97%** | **7.00%** | **(1.03%)** | **5.73%** | **6.70%** | **(0.96%)** | **6.90%** | **8.01%** | **(1.12%)** | | | |
| Regulatory limit | 20% | 20% | | 20% | 20% | | 15% | 15% | | | | |

The above calculations are based on the standardized assumptions published by the EBA (EBA/GL/2018/02). Pursuant to the methodology, the positive impacts of each interest rate scenario are weighted 50% and the negative impacts taken at 100%.

The impact of an adverse interest rate movement on the total net interest margin is low, in line with the company's prudent management objectives. It is as a result significant for the Economic Value of Equity or EVE, an indicator which by definition does not take own funds into account, unlike the daily operational asset-liability management of interest rate risk.

# IX LIQUIDITY RISK

## 1 THE LIQUIDITY RISK MANAGEMENT PRINCIPLE

Liquidity risk is defined as the risk of not being able to meet one's cash outflows or collateral requirements at a reasonable cost when they fall due. As liquidity is a rare resource, RCI Banque has a duty to have sufficient funds at all times to guarantee the continuity of its activity and development.

RCI Banque regularly strengthens its liquidity risk management process while complying with EBA recommendations. The Board of Directors and its Risks Committee approve the ILAAP ("Internal Liquidity Adequacy Assessment Process") and its procedural framework. These documents define the principles, standards and governance for liquidity risk management and the indicators and limits monitored within the RCI Banque group.

The group aims to optimize its cost of refinancing while controlling its liquidity risk and complying with regulatory requirements. RCI Banque also aims to have multiple sources of liquidity. As such, the financing plan is built with a view to diversifying liabilities, per product, currency and maturity.

## 2 GOVERNANCE AND ORGANIZATION

Liquidity risk management principles and standards are laid down by the group's governance bodies:

- The Board of Directors sets the liquidity risk tolerance level (risk appetite) and regularly examines the group's liquidity position. It approves the methodology and the limits, and as well the annual bond issue ceiling;
- The Financial Committee, the group's financial risks monitoring body, controls liquidity risk according to the appetite for risk defined by the Board of Directors;
- The Finance and group Treasury Division implements liquidity management policy and fulfils the financing plan by factoring in market conditions, in accordance with internal rules and limits;
- Due observance of the limits is monitored by the Financial Risks Control unit.

As the Board of Directors and the Risks Committee have approved a low appetite for liquidity risk, the group sets itself strict internal standards to enable RCI Banque to maintain business continuity over a given period in stress scenarios. The Financial Committee is informed every month of the time frame during which the company can continue its business using its liquidity reserve in various stress scenarios. These scenarios include assumptions about mass withdrawals of deposits, lost access to new funding, partial unavailability of certain items of the liquidity reserve and forecasts of new credit production.

An established emergency plan identifies the action required in the event of stress on the liquidity position.

## 3 MEASUREMENT AND MONITORING

The liquidity risk management process relies on risk indicators monitored every month by the Financial Committee. These indicators are based on the following elements:

### Static liquidity

This indicator measures the gap between assets and liabilities on a given date without an assumed renewal of liabilities or assets. It materializes the static liquidity "gaps". The group's policy is to refinance its assets with liabilities having the same or longer maturities, thereby maintaining positive static liquidity gaps over the entire balance sheet.

### The liquidity reserve

The group constantly aims to have a liquidity reserve consistent with the appetite for liquidity risk. The liquidity reserve comprises short term financial assets, high-quality liquid assets (HQLA), financial assets, collateral eligible for European Central Bank monetary policy transactions and banks' committed credit facilities. It is controlled by the Financial Committee every month.

### Stress scenarios

The Financial Committee is informed every month of the time frame during which the company can continue its business using its liquidity reserve in various stress scenarios. These scenarios include assumptions about mass withdrawals of deposits, lost access to new funding, partial unavailability of certain items of the liquidity reserve and forecasts of new credit production. Stressed outflows deposits scenario is very conservative and is regularly backtested.

## 4 REGULATORY RATIOS AND CHARGES ON ASSETS

Control of the group's liquidity also aims to meet regulatory liquidity coverage ratios (LCRs) and charges on assets (encumbered and unencumbered assets).

### Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) sets a minimum standard for bank liquidity. It is intended to ensure that a bank has an adequate level of unencumbered High Quality Liquid Assets (HQLA), which can be converted into cash to enable it to meet its liquidity needs for 30 calendar days in a stress scenario. The LCR is thus defined as the ratio of HQLAs to net cash outflows over the next 30 days. Net outflows represent the expected outflows less expected inflows or 75% of expected outflows, whichever is the lower.

RCI Banque's liquidity is managed by the Finance and Treasury Division that centralizes funding for European entities and oversees balance sheet management for all group entities throughout the world.

For each quarter, the following table shows the average values of HQLAs, Inflows and Outflows calculated as the simple average of month-end observations over the twelve months preceding the end of each quarter.

The bank's average HQLA during the 12-month period ending on 31 December 2020 was €4,461 million. It amounted to €3,352 million on average during the 12-month period ending on 30 September 2020. They mainly consisted of deposits with the European Central Bank, the Bank of England and securities issued by governments or supranationals. On 31 December 2020, the average duration of the bond portfolio was close to six months.

In addition, RCI Banque also invested in a fund whose assets are made of debt securities issued by European agencies, sovereigns and supranational issuers. Its average exposure to credit risk is six years with a limit at nine years. The fund is aiming a very low exposure to the interest rate risk with a maximum of two years.

Over the 12-month period ending on 31 December 2020, EUR and GBP denominated HQLA represented on average 87.3% and 10.4% of total HQLA respectively. The weight of EUR denominated HQLA remained stable compared to the averages of the 12-month period ending on September 2020, which were 84.6% for EUR and 12.3% for GBP.

RCI Banque Inflows mainly come from commercial and financial assets, while Outflows are mostly explained by debt repayment and the deposit run-off factor.

The liquidity requirement linked to derivative transactions is limited and represents non-material amounts.

The average LCR over the 12-month period ending on 31 December 2020 came at 492%, compared to 399% on average over the 12-month period ending on 30 September 2020.

## IX-1 LIQ1 – LIQUIDITY COVERAGE RATIO (LCR)

| *In millions of euros* | Total unweighted value (average) | | | | Total weighted value (average) | | | |
|---|---|---|---|---|---|---|---|---|
| **Quarter ending on** | **31/03/2020** | **30/06/2020** | **30/09/2020** | **31/12/2020** | **31/03/2020** | **30/06/2020** | **30/09/2020** | **31/12/2020** |
| Number of data points used in the calculation of averages | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| **High-Quality Liquid Assets (HQLA)** | | | | | | | | |
| **TOTAL HIGH-QUALITY LIQUID ASSETS** | | | | | **2,265** | **2,834** | **3,552** | **4,461** |
| **Cash Outflows** | | | | | | | | |
| Retail deposits and deposits from small business customers | 13,209 | 13,312 | 13,498 | 13,834 | 1,385 | 1,407 | 1,438 | 1,482 |
| *Stable deposits* | | | | | | | | |
| *Less stable deposits* | *13,209* | *13,312* | *13,498* | *13,834* | *1,385* | *1,407* | *1,438* | *1,482* |
| Unsecured wholesale funding | 898 | 877 | 840 | 852 | 747 | 731 | 685 | 681 |
| Operational deposits and deposits in networks of cooperative banks | | | | | | | | |
| Non-operational deposits (all counterparties) | 379 | 369 | 371 | 399 | 228 | 222 | 217 | 229 |
| Unsecured debt | 519 | 509 | 468 | 452 | 519 | 509 | 468 | 452 |
| Secured wholesale funding | | | | | 49 | 42 | 49 | 57 |
| Additional requirements | 795 | 860 | 883 | 904 | 252 | 272 | 282 | 305 |
| *Outflows related to derivative exposures and other collateral requirements* | *196* | *212* | *222* | *245* | *196* | *212* | *222* | *245* |
| *Outflows related to loss of funding on debt products* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Credit and liquidity facilities* | *599* | *648* | *661* | *658* | *56* | *60* | *60* | *60* |
| Other contractual funding obligations | 1,182 | 1,089 | 1,089 | 1,108 | 450 | 417 | 421 | 441 |
| Other contingent funding obligations | 2,135 | 2,090 | 2,202 | 2,225 | 414 | 481 | 503 | 503 |
| **TOTAL CASH OUTFLOWS** | | | | | **3,297** | **3,350** | **3,377** | **3,469** |
| **Cash Inflows** | | | | | | | | |
| Secured lending (e.g. reverse repos) | | | | | | | | |
| Inflows from fully performing exposures | 4,083 | 4,060 | 4,233 | 4,328 | 2,323 | 2,368 | 2,523 | 2,632 |
| Other cash inflows | 2,376 | 1,900 | 1,707 | 1,643 | 777 | 650 | 616 | 600 |
| (Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies) | | | | | | | | |
| (Excess inflows from a related specialised credit institution) | | | | | | | | |
| **TOTAL CASH INFLOWS** | **6,459** | **5,961** | **5,940** | **5,971** | **3,099** | **3,017** | **3,139** | **3,233** |
| *Fully exempt inflows* | | | | | | | | |
| *Inflows Subject to 90% Cap* | | | | | | | | |
| *Inflows Subject to 75% Cap* | *6,459* | *5,961* | *5,940* | *5,971* | *3,099* | *3 ,017* | *3 ,139* | *3,233* |
| **TOTAL HQLA** | | | | | **2,265** | **2,834** | **3,552** | **4,461** |
| **TOTAL NET CASH OUTFLOWS** | | | | | **855** | **904** | **910** | **934** |
| **Liquidity Coverage Ratio** | | | | | **264%** | **305%** | **389%** | **482%** |

## (Un) encumbered assets

An asset is deemed "encumbered" if it serves as a guarantee or is used to securitize, collateralize or improve a transaction from which it cannot be separated. In contrast, an "unencumbered" asset is not subject to any legal, regulatory or contractual restriction limiting the institution's ability to do what it wants with it.

By way of example, the following types of contracts match the definition of encumbered assets:

- assets sold to securitization vehicles when the said assets have not been derecognized by the company. The assets underlying self-subscribed securitizations are not considered encumbered, unless the securities are used as security or to guarantee another transaction in any manner (financing in its dealings with the central bank for instance);
- the collateral designed to reduce the counterparty risk on derivatives registered in a clearing house or bilaterally negotiated;
- secured financing.

Disclosure on encumbered and unencumbered assets in the following three tables is calculated in accordance with EBA/GL/2014/03 guidelines. Reported figures are the median values of quarterly data on a rolling basis over the previous twelve months. Over the period ending on 31 December 2020, the median amount of assets encumbered in the form of disposals to a securitization vehicle or guarantee given is €7,540 million, making up 13% of total assets.

### IX-2 AE1 – ENCUMBERED AND UNENCUMBERED ASSETS

| | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | | ow notionally elligible EHQLA and HQLA | | ow notionally elligible EHQLA and HQLA | | ow notionally elligible EHQLA and HQLA | | ow notionally elligible EHQLA and HQLA |
| **ASSETS OF THE REPORTING INSTITUTION** | **7,540** | | | | **49,697** | **4,620** | | **4,620** |
| Equity instruments | 22 | | 22 | | 4 | | 4 | |
| Debt securities | 100 | | 100 | | 1,127 | 504 | 1,127 | 504 |
| *ow: covered bonds* | | | | | | | | |
| *ow: asset-backed securities* | | | | | | | | |
| *ow: issued by general governments* | *59* | | *59* | | *531* | *331* | *531* | *331* |
| *ow: issued by financial corporations* | *13* | | *13* | | *228* | *69* | *228* | *69* |
| *ow: issued by non-financial corporations* | *33* | | *33* | | *49* | | *49* | |
| Other assets | 7,417 | | | | 47,978 | 4,117 | | 4,117 |
| *ow: loans on demand* | *593* | | | | *5,294* | *4,117* | | *4,117* |
| *ow: loans and advances other than loans on demand* | *6,749* | | | | *40,168* | | | |

### IX-3 AE2 – COLLATERAL RECEIVED

| *In millions of euros* | FV of encumbered collateral received or own debt securities issued | ow notionally elligible EHQLA and HQLA | FV of collateral received or own debt securities issued available for encumbrance | ow notionally elligible EHQLA and HQLA |
|---|---|---|---|---|
| **COLLATERAL RECEIVED BY THE REPORTING INSTITUTION** | | | **877** | |
| Loans on demand | | | 704 | |
| Equity instruments | | | | |
| Debt securities | | | | |
| / *ow: covered bonds* | | | | |
| / *ow: asset-backed securities* | | | | |
| / *ow: issued by general governments* | | | | |
| / *ow: issued by financial corporations* | | | | |
| / *ow: issued by non-financial corporations* | | | | |
| Loans and advances other than loans on demand | | | | |
| Other collateral received | | | 163 | |
| **OWN DEBT SECURITIES ISSUED OTHER THAN OWN COVERED BONDS OR ABSS** | | | | |
| **OWN COVERED BONDS AND ASSET-BACKED SECURITIES ISSUED AND NOT YET PLEDGED** | | | **3,632** | |
| **TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED** | **7,540** | | | |

Collateral received reported as “on demand” as the guarantee can be activated immediately after default.

### IX-4 AE3 – ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES

| *In millions of euros* | Matching liabilities, contingent liabilities or securities lent | Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered |
|---|---|---|
| **CARRYING AMOUNT OF SELECTED FINANCIAL LIABILITIES** | **5,369** | **7,540** |
| Derivatives | 94 | 79 |
| Deposits | 2,249 | 2,862 |
| Debt securities issued | 2,926 | 4,635 |
| Other sources of encumbrance | | |

# X OPERATIONAL AND NON-COMPLIANCE RISKS

## 1 OPERATIONAL AND NON-COMPLIANCE RISK MANAGEMENT

RCI Banque is exposed to risks of loss ensuing either from external events or from inadequacies and shortcomings in its internal processes, staff or systems. The operational risk to which RCI Banque is exposed includes among other things the risks relating to events that are very unlikely to occur but that have a high impact, such as the risk of business interruption due to the unavailability of premises, staff or information systems.

The main operational risks concern business interruption, potential losses or damage related to IT systems – technological infrastructure or use of a technology – internal and external fraud, failure to protect personal data, damage to reputation, climate and environmental risks, inadequate human resources, mismanagement of pension schemes and purchases, as well as non-compliance with banking and financial transactions regulations, as well as non-compliance with legislation, regulations and standards in matters of law, tax, accounting, anti-money laundering and combating the financing of terrorism, non-ethical behaviors and corruption, capital requirements (CRD IV/CRR) and bank recovery and resolution (BRRD).

Six risk families are given below: legal and contractual risks, tax risks, money laundering and terrorism financing related risks, IT risks, personal data protection related risks and reputational risks.

### Legal and contractual risks

#### Risk factors

The RCI Banque group's activity can be affected by any changes in legislation impacting on the marketing of credit and insurance at the point of sale, as well as by any changes in regulatory requirements governing banking and insurance. Additionally, misinterpretation of the law or any inappropriate behavior by staff or agents could also influence RCI Banque group's business.

#### Management principles and processes

RCI Banque carries out legal analyses of new products marketed and regularly monitors the regulations governing it to ensure it complies with them. The group has also implemented an internal control system designed in particular to ensure the compliance of transactions made by staff and agents.

### Tax risks

#### Risk factors

Through its international exposure, the RCI Banque group is subject to numerous sets of national tax laws, all of which are liable to amendments and uncertainties in interpretation that might affect its operations, financial position and earnings.

#### Management principles and processes

RCI Banque has put in place a monitoring system designed to list and address all tax issues affecting it.

Any tax disputes with which RCI Banque may be faced as a result of tax inspections are closely monitored and where appropriate, provisions are booked to cover the estimated risk.

### Risks relating to money laundering and financing terrorism

#### Risk factors

RCI Banque is subject to international, European and French regulations as regards combating money laundering and financing terrorism. This regulation can expose to penalties, both criminal and disciplinary.

#### Management principles and systems

RCI Banque has implemented a group policy set out in a general procedure and Corporate business procedures which are transposed in group entities. A compliance performance indicator is also assigned to all entities of which RCI has effective control.

### IT risks

#### Risk factors

The RCI Banque group's activity is partly dependent on the serviceability of its IT systems. RCI Banque's IT division, through their governance, security policy, technical architectures and processes, play a part in the fight against threats (cybercrime, frauds…) in order to reduce IT-related risks (systems shutdown, data loss, etc.).

The year 2020, through the Covid-19 crisis, demonstrated the resilience of the RCI IS systems in place (teleworking, security…) which allowed the business to continue without any technical impact.

### Management principles and processes

Oversight of RCI IS risks takes into account good management of and control over main potential IS risks: governance, business continuity, IT security, change and operations management, data integrity and data processing.

These risks are managed and controlled by:

- the incorporation of IT risk management in the overall management system and management of RCI risks at all levels in the company, in accordance with best practices, European Banking Authority guidelines and under European Central Bank supervision;
- the degree of protection of the IT system across the group;
- everyday control, oversight and management of the Group's "Information Management Policy";
- security awareness and training actions for all personnel (e-learning, information, etc.);
- actions, support and checks performed by the RCI IT Risk, Standards, Compliance and Security department, which are based on a network of IT Security Officers in every DSI subsidiary, and also on a network of internal auditors;
- a group IT security policy, incorporating the regulatory requirements (banking, GDPR/personal data, etc.), an overall management approach and ongoing adapting of IT security;
- a policy of the most demanding intrusion and surveillance tests, covering both external risks (examples: websites, mobile applications) and internal risks;
- a Disaster Recovery Plan in place and regular tests of the plan, including the issue of cyber-risks;
- a device and the animation of method correspondents, business lines and IT managers, rolled-out throughout the group;
- a Group process for managing and registering outsourced services, including the various dimensions related to this risk (governance, security, etc.).

### Focus on IT security

RCI Banque implements the Renault Group IS Security policy, also factoring in banking requirements, and placing particular emphasis on access control for its applications, protection of personal and sensitive data and business continuity.

Many security tools are in place and are being strengthened as risks evolve (for network and application monitoring, avoiding data leaks, monitoring the cloud and the Internet, etc.).

As part of the RCI Banque group's emergency and business continuity plan, IS business resumption plans are operational for all of its deployed and local applications. They are tested at least once a year.

These plans are part of the RCI crisis management process, which ensures coordination with the various business lines (including IS), subsidiaries and branches, RCI partners and regulators (ACPR/ECB, CNIL, etc.).

Users of the information system are contractually bound to observe the rules of use of the IT tool. RCI Banque ensures it preserves the same level of protection when developing new lines of business (electric vehicles, deployment in new territories…).

Hosting the best part of the IT operations of the group in the "C2" (main) data center and the "C3" (backup) data center enables to guarantee the highest level of protection and uptime for our systems and applications.

Security requirements and controls are managed on both internal and outsourced information systems, starting with calls for tenders and contracts for outsourced services (for all services and all subsidiaries/branches).

## Personal data protection related risks

### Risk factors

The EU General Data Protection Regulation (GDPR) which came into effect on 25 May 2018 apples to RCI Banque. Since then, many countries have implemented similar regulations on the protection of personal data. Non-compliance could have serious effects in its business and reputation.

### Management principles and systems

As from September 2017, RCI Banque decided to appoint a Data Protection Officer (DPO), in order to put in place the governance and all measures necessary to comply with these regulations, ensuring the protection of not only client data, but also that of employees throughout the group.

Risks relating to personal data protection are managed in particular by the implementation of a personal data processing policy, monitoring all data processing as from the design stage, the implementation of appropriate organizational and technical resources and regularly making the company's staff aware of the issue.

## Reputational risks

### Risk factors

RCI Banque is exposed to a risk of worsening perception by its customers, counterparties, investors or supervisors, which could adversely affect the group.

### Management principles and processes

RCI Banque has put in place corporate governance ensuring efficient management of compliance risks. Through the development and analysis of indicators, the monitoring of this risk enables the bank where appropriate to take corrective actions.

## 2 MEASUREMENT OF OPERATIONAL RISKS AND MONITORING PROCESS

Dedicated committees such as Internal Control, Operational Risk and Compliance Committees of entities and of the group convene every quarter and monitor changes in the mapping and its assessment, the indicators, the alerts and the related action plans.

## 3 EXPOSURE TO THE RISK AND CALCULATION OF REQUIREMENTS

Operational risk is treated with the standard method.

The capital requirement calculation is based on restated average net banking income observed over the last three years and gross of other operating charges, broken down into two business segments (retail banking and commercial banking), the regulatory coefficients of which are 12% and 15% respectively. The retail banking business line includes loans to individuals and to SMEs that match the definition given in Article 123 of the CRR. The commercial banking business line includes all other RCI Banque activities.

### X-1 OPERATIONAL RISK

| *In millions of euros* | Commercial Banking | Retail Banking | Total |
|---|---|---|---|
| 3 years average NBI – other operating expenses excluded | 1,134 | 1,252 | 2,385 |
| Value at risk in standardized method | 2,126 | 1,878 | 4,003 |
| **Own funds requirements** | **170** | **150** | **320** |

### X-2 OR2 BUSINESS INDICATOR AND SUBCOMPONENTS

| | Business indicator/subcomponent | | |
|---|---|---|---|
| *In millions of euros* | 31/12/2020 | 31/12/2019 | 31/12/2018 |
| **INTEREST AND DIVIDEND** | **1,603** | **1,765** | **1,677** |
| / *Of which Interest and lease income* | *1,954* | *2,240* | *2,142* |
| / *Of which Interest and lease expense* | *(662)* | *(779)* | *(743)* |
| / *Of which Interest earning assets* | *303* | *299* | *273* |
| / *Of which Dividend income* | *8* | *6* | *4* |
| **SERVICES** | **163** | **163** | **149** |
| / *Of which Fee and commission income* | *732* | *745* | *674* |
| / *Of which Fee and commission expense* | *(249)* | *(234)* | *(212)* |
| / *Of which Other operating income* | *238* | *224* | *220* |
| / *Of which Other operating expense* | *(557)* | *(572)* | *(531)* |
| **FINANCIAL** | **11** | **(28)** | **8** |
| / *Of which Net P&L on Trading Book* | *7* | *(21)* | *7* |
| / *Of which Net P&L on Banking Book* | *4* | *(8)* | *1* |

# 4 INSURANCE OF OPERATIONAL RISKS

## Damage to property and business interruption

The French and British companies of the RCI Banque group are affiliated to the world property/business interruption insurance program taken out by Nissan Motor Co. Ltd and Renault S.A.S.

The risk prevention policy is characterized by:

- installation of efficient and regularly audited security systems;
- installation of backups in the event of business interruption, as group production is highly dependent on the serviceability of its computer systems.

RCI Banque aims to include all its subsidiaries in the group's program to guarantee for each entity the same degree of coverage in terms of damage to property and business interruption.

## Third-party liability

The operational liability (the company's liability for damages caused to a third party while conducting its business, in any place, through the fault of the insured person, the staff, buildings and equipment used for the business) of the French subsidiaries has since January 2010 been covered by the Renault Group world program.

Only third-party liability after delivery and/or errors and omissions liability (damage or loss resulting from mismanagement or non-observance of a contractual obligation vis-à-vis third parties) specific to the RCI Banque group's lines of business is still covered by contracts specific to the RCI Banque group:

- one contract covers the third-party liability after delivery and/or errors and omissions liability of the Diac and Diac Location subsidiaries, more particularly concerning long-term rental and car fleet management services;
- one contract insures the Diac and Diac Location subsidiaries against the financial consequences of any third-party liability they may incur as owner or lessor of motor vehicles and equipment by virtue of the activities covered by this contract, namely lease purchasing, leasing with purchase option and long-term leasing, on the understanding that this contract is a second Tier insurance policy that is invoked if the lessee's insurance defaults;
- in matters of insurance intermediation, RCI Banque and the Diac and Diac Location subsidiaries are insured with specific Errors & Omission liability contracts together with a financial guarantee in accordance with Articles L.512-6, L.512-7, R.512-14 and A.512-4 of the Insurance Code, regulations resulting from transposing of European Directives on the sale of insurance.

For RCI Banque's foreign subsidiaries and branches, the operational and errors & omissions liability contracts, including Errors & Omission liability of the insurance intermediary, are negotiated with local insurers in accordance with local regulations resulting from the transposition of the European directive of 9 December 2002 for European countries or an equivalent regulation for countries outside the EC. The Insurance and Services department oversees the consistency of the programs with group policies.

Since 1st January 2015, a program of professional liability insurance for the RCI Banque group has been taken out, supplementing local policies (with the exception of Turkey and Russia).

In respect of this program, the insurer will meet the cost of the financial consequences (civil defense costs) of any claim filed by a third party on the grounds of malpractice committed exclusively within the framework of the insured activities, as described below, implicating the Errors & Omission liability of one or more insured parties (RCI Banque group subsidiaries).

### The program covers the following two areas

- So-called "regulated" activities (those for which Errors & Omission liability insurance is a legal obligation): insurance intermediation activities and, for certain countries, banking operations, defined as an "activity consisting in presenting, offering or helping to conclude insurance contracts, respectively, banking operations or Payment services, or carrying out works and providing advice prior to their execution".
- So-called "unregulated" activities (those for which no Errors & Omission liability insurance is imposed by regulations): activities in the banking, stock market, financial, real estate, insurance and reinsurance industries.

Since 1st January 2018, Renault S.A.S. has taken out a Cyber Risks insurance policy for itself and on behalf of its subsidiaries.

# XI OTHER RISKS

## 1 RESIDUAL VALUES RISK

### Risk factors

Residual value is the estimated value of the vehicle when its financing plan ends. Changes on the used vehicle market can entail a risk for the holder of these residual values, who undertakes to buy back the vehicles at the end of their financing plans at a price fixed at the outset. This risk can be assumed by RCI Banque, by the manufacturer or by a third party (in particular the Dealers). In the specific case of the United Kingdom, RCI Banque bears residual values risk on financing contracts with the commitment to take back the vehicle. As of 2021, RCI Banque plans to increase its exposure to residual value risk in certain countries and through certain channels.

### Management principles and processes

Changes in the used car market have been monitored in depth in line with the range policy, sales channel mix and manufacturer's price positioning in order to best reduce such risk, in particular in instances where RCI Banque takes back vehicles itself. Prudent provisions are made on the loan portfolio when market values become less than the level of RCI Banque's return commitments, or if specific future risks are identified on the used vehicle market.

#### XI-1 BREAKDOWN OF RESIDUAL VALUES RISK CARRIED BY THE RCI BANQUE GROUP

| | Residual values | | | | | Residual Value Provision | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | 2020 | 2019 | 2018 | 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| **CORPORATE SEGMENT:** | **227** | **208** | **216** | **263** | **247** | **9** | **19** | **17** | **26** | **12** |
| France | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| European Union (excluding France) | 46 | 205 | 211 | 256 | 237 | 3 | 19 | 17 | 26 | 12 |
| Europe excluding European Union | 179 | - | - | - | - | 6 | - | - | - | - |
| **RETAIL SEGMENT:** | **1,583** | **1,727** | **1,728** | **1,719** | **1,652** | **36** | **40** | **44** | **41** | **24** |
| European Union (excluding France) | - | 1,681 | 1,679 | 1,682 | 1,626 | - | 36 | 40 | 38 | 22 |
| Europe excluding European Union | 1,558 | - | - | - | - | 35 | - | - | - | - |
| **TOTAL RISK ON RESIDUAL VALUES** | **1,810** | **1,935** | **1,944** | **1,981** | **1,899** | **45** | **59** | **61** | **67** | **36** |

#### XI-2 VOLUNTARY TERMINATION RISK

In the UK and in Ireland, based on a specific regulation allowing the customer to stop his financing under certain conditions, RCI faces a risk on "voluntary termination". The provision covers the potential gap between the net book value when the voluntary termination occurs and the resale value.

| In millions of euros | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total net book value | | | | | Provision value | | | | |
| 2020 | 2019 | 2018 | 2017 | 2016 | 2020 | 2019 | 2018 | 2017 | 2016 |
| **3,629** | **4,002** | **3,983** | **3,961** | **3,633** | **53** | **40** | **33** | **29** | **20** |

#### XI-3 RESIDUAL VALUES RISK NOT CARRIED BY THE RCI BANQUE GROUP

| | Residual Values | | | | |
|---|---|---|---|---|---|
| *In millions of euros* | 2020 | 2019 | 2018 | 2017 | 2016 |
| Corporate and Retail segments: | | | | | |
| Commitments Received from the Renault groupe | 4,827 | 4,678 | 3,998 | 3,503 | 2,943 |
| Commitments Received from others (Dealers and Customers) | 5,303 | 4,666 | 3,732 | 2,953 | 2,128 |
| **TOTAL RISK ON RESIDUAL VALUES** | **10,130** | **9,344** | **7,730** | **6,456** | **5,071** |

## 2 INSURANCE RISK

The main risks for insurance intermediation activity are the risk of a defective partnership not identified, the non-compliance of the products distribution and the inadequacy of the products.

For insurance and reinsurance activities of RCI group's insurance companies, the main risks are linked to the subscription, the technical balance of the products (claims increase, early redemptions, lack of provisioning…) and the investment policy (liquidity risk, counterparty risk…).

These risks are managed, followed and steered in Solvency II regulatory framework. They are subject to a yearly ORSA report (Own Risk and Solvency Assessment).

The group makes a strict selection of contracts and has underwriting guides.

## 3 RISKS RELATING TO COMMERCIAL DEPLOYMENT

The RCI Banque group operates in the personal and businesses car finance and services sector. Consequently, there is a risk of sectorial concentration inherent in the group's business which is managed by the diversification of brands financed, and products and services deployed.

Additionally, in a changing environment, the RCI Banque group strives to adapt its strategy to new demand and new market trends in line with new mobilities.

RCI Banque conducts business internationally and the geographic choices of the group's sites are determined in accordance with its growth strategy as well as in support of manufacturers. As a result, RCI Banque can be subject, in all areas in which it operates, to a risk of geographic concentration, local economic and financial instability, and changes in government, social and central bank policies. One or more of these factors can have an unfavorable effect on the group's future results, as exposure to the risk of geographic concentration is partly mitigated by its presence on various markets.

In a complex economic environment, RCI Banque puts in place systems and procedures that meet statutory and regulatory obligations corresponding to its banking status, and that enable it to comprehensively apprehend all the risks associated with its activities and sites, by strengthening its management and control processes.

## 4 RISK RELATING TO SHARES

The RCI Banque group's exposure from shares not held for transactional purposes, represent stocks and shares in commercial entities held but not consolidated, valued at fair value P&L weighted at 100% and entities consolidated by the equity method within the regulatory perimeter weighted at 250%. Exposures were €225 million at end December 2020 against €221 million at end 2019. The main variations are due to:

- the increase in valuation of the share in entities consolidated by the equity method for €4 million;
- the sale of Bulb Software.

# CROSS-REFERENCE TABLE

| CRD IV | Purpose | Consistency |
|---|---|---|
| **Article 90** | Public disclosure of return on assets | Introduction |

| CRR | Purpose | Consistency |
|---|---|---|
| **Article 431** | Scope of disclosure requirements | Introduction |
| **Article 432** | Non-material, proprietary or confidential information | Introduction |
| **Article 433** | Frequency of disclosure | Introduction |
| **Article 435** | Risk management objectives and policies | |
| **1a** | | Part II-1 |
| **1b** | | Part II-2 |
| **1c** | | Part II-1+3 |
| **1d** | | Part IV-2+7 + V + X-4 |
| **1e** | | Part II-1 |
| **1f** | | Part II-3 |
| **2a-d** | | Part II-2 |
| **2e** | | Part II-1+2+3 |
| **Article 436** | Scope of application | |
| **a-b** | | Part III-1 |
| **c** | | Part III-2 |
| **d** | | Part III-1 |
| **e** | | Part III-2 |
| **Article 437** | Own funds | |
| **1a-e** | | Part III-3 |
| **1f** | | NA own funds determined on the CRR basis only |
| **Article 438** | Capital requirements | |
| **a** | | Part III-5 |
| **b** | | NA no supervisory requirement |
| **c-d** | | Part IV-4 |
| **e** | | NA no capital required for market risk |
| **f** | | Part III-4 |
| **Article 439** | Exposure to counterparty credit risk | |
| **a-d** | | Part IV-8 |
| **e-f** | | Part V |
| **g-i** | | N/A credit derivative hedges not used |
| **Article 440** | Capital buffers | Part III-2 |
| **Article 441** | Indicators of global systemic importance | Part III-2 |
| **Article 442** | Credit risk adjustments | Part IV-1 |
| **Article 443** | Unencumbered assets | Part IX-4 |
| **Article 444** | Use of ECAIs | Part IV-6 |
| **Article 445** | Exposure to market risk | Part VII |
| **Article 446** | Operational risk | Part X-3 |
| **Article 447** | Exposures in equities not included in the trading book | |
| **a-b** | | Part XI-4 |
| **c-e** | | NA no exchange-traded exposure |

| CRR | Purpose | Consistency |
|---|---|---|
| **Article 448** | Exposure to interest rate risk on positions not included in the trading book | Part VIII |
| **Article 449** | Exposure to securitization positions | Part VI |
| **Article 450** | Remuneration policy | Part II-5 |
| **Article 451** | Leverage | |
| **1a-c** | | Part III-6 |
| **1d-e** | | Part III-7 |
| **Article 452** | Use of the IRB Approach to credit risk | |
| **a** | | Part IV-5 |
| **b. i** | | Part IV-5 (d-iii) |
| **b. ii** | | Part IV-5 (a+f) |
| **b. iii** | | Part IV-7 |
| **b. iv** | | Part IV-5 (g) |
| **c** | | Part IV-5 (d+e) |
| **d-f** | | Part IV-5 (c) |
| **g-h** | | Part IV-5 (e) |
| **i-j** | | Part IV-5 (d+e) |
| **Article 453** | Use of credit risk mitigation techniques | Part IV-7 |
| **Article 454** | Use of the Advanced Measurement Approaches to operational risk | NA Advanced Measurement Approaches not used |
| **Article 455** | Use of Internal Market Risk Models | NA internal models not used |
| **Article 492** | Disclosure of own funds | Part III-3 |

# TABLES

| Part | Ref | Title |
|---|---|---|
| **IV-6** | CR5 | CR5 – Standardized approach – Exposures by asset classes and risk weights |
| **IV-7** | CR7 | CR7 – IRB – Effect on RWA of credit derivatives used as CRM techniques |
| **IV-8** | CCR1 | CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach |
| **IV-8** | CCR3 | CCR3 – Standard approach – CCR exposures by regulatory portfolio and risk weights |
| **IV-8** | CCR5-A | CCR5-A – Impact of netting and collateral held on exposure values |
| **IV-8** | CCR5-B | CCR5-B – Composition of collateral for exposures to CCR |
| **IV-8** | CCR8 | CCR8 – Exposures to CCPs |
| **V** | CCR2 | CCR2 – Credit valuation adjustment (CVA) capital charge |
| **VIII-4** | IRRBB1 | IRRBB1 – Quantitative information on changes in Economic Value of Equity and net interest income under each of the prescribed interest rate shock scenarios |
| **IX-4** | LIQ1 | LIQ1 – Liquidity Coverage Ratio (LCR) |
| **IX-4** | AE1 | AE1 – Encumbered and unencumbered assets |
| **IX-4** | AE2 | AE2 – Collateral received |
| **IX-4** | AE3 | AE3 – Encumbered assets/collateral received and associated liabilities |
| **X-3** | | Operational risk |
| **X-3** | OR2 | OR2 Business indicator and subcomponents |
| **XI-1** | | Breakdown of residual values risk carried by the RCI Banque group |
| **XI-I** | | Voluntary termination risk |
| **XI-1** | | Residual values risk not carried by the RCI Banque group |

# Chapter 03

# REPORT ON CORPORATE GOVERNANCE

# 3.1 ORGANIZATION OF THE RCI BANQUE GROUP

The aim of the organization implemented by the RCI Banque group is to boost its business action in both the financing of Alliance manufacturers' sales and associated services. It gives the support functions a more comprehensive role to play in supporting international expansion.

Subject to control by the European Central Bank in its capacity as a credit institution, RCI Banque has structured its governance in accordance with banking and financial regulations.

Oversight of this organization is delivered in three ways:

## 3.1.1 HIERARCHICAL LINE

RCI Banque's Senior Management and its Executive Committee direct RCI Banque's policy and strategy, under the control of the Board of Directors. The Management Committees, both central and in the controlled subsidiaries and branches, implement the actions needed to meet the objectives set by Senior Management and the Executive Committee.

## 3.1.2 FUNCTIONAL LINE

The functional departments play the role of "technical parent" for the following purposes:

- establishing specific policies and rules of operation for IT systems, human resources, financial policy, credit risk management, etc.);
- providing the operational departments with support and ensuring that established policies are implemented as they should be by those departments. The group also has standardized mapping of all of the company's processes.

## 3.1.3 SUPERVISION

At 31 December 2020, the Board of Directors, supervisory body, was supported by four Committees: a Risk Committee, an Accounts and Audit Committee, a Remunerations Committee and an Appointments Committee.

### COMMITTEE OF ACCOUNTS AND AUDIT AS OF 31 DECEMBER 2020

| | Position in the company | Position within the Committee |
|---|---|---|
| **Isabelle Maury** | Director | President |
| **Clotilde Delbos** | Chairman of the Board | Member |
| **Isabelle Landrot** | Director | Member |
| **Laurent David** | Director | Member |
| **Nathalie Riez-Thiollet** | Director | Member |

### COMMITTEE OF NOMINATIONS AS OF 31 DECEMBER 2020

| | Position in the company | Position within the Committee |
|---|---|---|
| **Clotilde Delbos** | Chairman of the Board | President |
| **Isabelle Landrot** | Director | Member |
| **Philippe Buros** | Director | Member |

### COMMITTEE OF REMUNERATIONS AS OF 31 DECEMBER 2020

| | Position in the company | Position within the Committee |
|---|---|---|
| **Clotilde Delbos** | Chairman of the Board | President |
| **Isabelle Landrot** | Director | Member |
| **Philippe Buros** | Director | Member |

### COMMITTEE OF RISKS AS OF 31 DECEMBER 2020

| | Position in the company | Position within the Committee |
|---|---|---|
| **Isabelle Landrot** | Director | President |
| **Clotilde Delbos** | Chairman of the Board | Member |
| **Isabelle Maury** | Director | Member |
| **Nathalie Riez-Thiollet** | Director | Member |

# 3.2 BODIES AND PEOPLE INVOLVED

## 3.2.1 BOARD OF DIRECTORS

The principles governing the operation, role and responsibilities of RCI Banque's Board of Directors and Board Committees are described in its internal rules and regulations, the main features of which are given below.

### 3.2.1.1 Role and responsibilities of the Board of Directors

In accordance with France's Commercial Code (Code de Commerce), Monetary and Financial Code (Code Monétaire et Financier) and more generally, all regulations that apply to the banking sector, the role and responsibilities of the Board of Directors are as follows:

- it determines the broad lines of the company's business activities and oversees implementation by the effective managers and the Executive Committee of supervisory systems so as to ensure effective and prudent management;
- it approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reduction of the risks to which the company is or might be exposed, including risks generated by the economic environment. In this respect, it ensures that the group's risk management systems are appropriate and effective, inspects and verifies the exposure to risk of its activities and approves the level of risk appetite and the related limits and alert thresholds as determined by the Risk Committee. It also ensures that corrective measures taken to remedy any shortcomings are effective;
- it reviews the governance system, regularly assesses its effectiveness and ensures that corrective measures are taken to remedy any shortcomings;
- it makes sure that the single-entity and consolidated financial statements are true, fair and accurate, and that the information published by RCI Banque is of high quality;
- it approves the annual business report and the report on corporate governance;
- it checks the publication and disclosure process, and makes sure that all information to be published or disclosed by the company is reliable and of high quality;
- it adopts and reviews the general principles of the remuneration policy applied within the RCI group;
- it discusses beforehand any changes to RCI Banque's management structures;
- it prepares and convenes the annual general meeting of shareholders and establishes its agenda;
- it may delegate to any person of its choosing the powers needed to complete, within a one-year limit, bond issues, and to determine the terms and conditions thereof;
- subject to the powers specifically allocated to shareholders' meetings, and within the purview of the company's corporate purpose, it deals with all matters relating to the good conduct of the company's business and decides all pertinent issues through its deliberations.

The Board of Directors devotes at least one annual meeting to a review of the internal control system and approves the annual report on Internal Control sent to France's Prudential Control and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR). It also has the power to authorize transactions affecting the share capital, bond issues, the signature or termination of agreements with other undertakings that entail commitments affecting the company's future, and major transactions likely to alter significantly the scope of business or capital structure of the company and the group it controls. The Board of Directors relies in particular on the work of the different Board Committees to help it fulfill its duties.

### 3.2.1.2 Composition of the Board of Directors

At 31 December 2020, the Board of Directors of RCI Banque comprised seven directors.

**BOARD OF DIRECTORS AS OF 31 DECEMBER 2020**

| | Position in the company | Appointment or renewal date | Term | List of mandates held in any companies | Number of held shares | % in the share capital |
|---|---|---|---|---|---|---|
| Clotilde Delbos | Chairman of the Board | 29 April 2020 | May 2026 | Spain: Renault España S.A. – Director<br>France: Renault Venture Capital – President<br>France: Alstom – Director<br>France: Hactif Patrimoine – Manager<br>The Netherlands: RN BV – Director | 1 | 0.001 |
| Philippe Buros | Director | 10 July 2019 | May 2025 | Germany: Renault Deutschland AG – Member of the SB<br>Austria: Renault Österreich GmbH – Chairman of the SB<br>Spain: Recsa – Chairman of the Board<br>Spain: Renault España S.A. – Director<br>France: Carizy – Director<br>France: Renault Retail Group – CEO and Chairman of the Board.<br>France: Sogedir – President<br>Poland: Renault Polska SP zoo - Member of the SB<br>Slovenia: Revoz D.D – Member of the SB | 0 | 0 |
| Laurent David | Director | 10 July 2019 | May 2025 | | 0 | 0 |
| Isabelle Landrot | Director | 22 May 2018 | May 2024 | China: Renault Beijing Automative Co, Ltd – Director<br>Hong-Kong: Renault Asia Pacific Pty Ltd – Drector | 0 | 0 |
| Isabelle Maury | Director | 5 December 2019 | May 2024 | France: Caisse de crédit mutuel de Verneuil sur Seine – President of the SB<br>France: IM7 Consulting - President | 0 | 0 |
| Nathalie Riez-Thiollet | Director | 26 June 2020 | May 2023 | Belgium: AB Finances – Director | 0 | 0 |
| Alain Ballu | Director | 26 June 2020 | May 2023 | | 0 | 0 |

## OTHER CORPORATE OFFICERS AS OF 31 DECEMBER 2020

| | Position in the company | Appointment or renewal date | Term | List of mandates held in any companies | Number of held shares | % in the share capital |
|---|---|---|---|---|---|---|
| João Miguel Leandro | CEO | 23 July 2019 | N/A | Brazil: Banco RCI Brasil – Director<br>Spain: Overlease – Director as RCI Banque S.A. legal representative<br>France: Diac – Chairman of the Board<br>The Netherlands: RN SF – Director | 0 | 0 |
| François Guionnet | VP Territories and Perfomance Deputy CEO | 8 February 2019 | N/A | Brazil: Banco RCI Brasil – Chairman of the Board<br>France: Diac Location – Director<br>France: Rugby Club Massy Essonne – Chairman<br>Hungary: RCI Zrt – Director<br>Morocco: RCI Finance – Director<br>Romania: RCI Leasing Romania IFN – Director<br>Switzerland: RCI Finance – Chairman of the Board<br>Turkey: Orfin – Director | 0 | 0 |
| Jean-Marc Saugier | VP, Finance and group treasury Deputy CEO | 8 February 2019 | N/A | Argentina: Rombo Compania Financiera – Director<br>Brazil: Banco RCI Brasil – Director<br>Colombia: RCI Servicios Colombia – Director<br>Colombie: RCI Comp de Financiero – Director<br>France: SCI JAF – Gérant | 0 | 0 |

## SHAREHOLDER AS AT 31 DECEMBER 2020

| | Position in the company | Appointment or renewal date | Term | List of mandates held in any companies | Number of held shares | % in the share capital |
|---|---|---|---|---|---|---|
| Renault s.a.s. | | | | | 999,999 | 99.99% |

Members of the Board of Directors are appointed by the annual general meeting on the recommendation of the Appointments Committee. Their term of office is set at three years, except in the case of co-option.

The directors have been appointed to the Board of Directors on the basis of their good repute, their knowledge of the company's activity and lines of business, their technical and general expertise and, in some cases, the experience acquired in performing their duties in the shareholder companies.

Collectively, the members of the Board of Directors and the effective managers have the knowledge, expertise and experience needed for a full understanding of all of the company's business activities, including the main risks to which to which it is exposed, of the sales financing sector, of the Renault-Nissan Alliance and of the automotive sector.

On the recommendation of the Appointments Committee, the Board of Directors has defined the notion of independent director as follows: "An RCI director is independent when he or she has no relationship of any kind whatsoever with either the RCI group or its management that might color his or her judgment. Independent director does not just mean a Non-Executive Director, i.e. one who does not hold a management position within the RCI group, but one that is also free from any particular ties (majority shareholder, employee, other) with the group"; the activities with the Renault-Nissan Alliance do not constitute particular ties, in accordance with the specified qualification criteria. On this basis, it has identified three directors as independent as recommended by the Appointments Committee dated 23 June 2020.

At 31 December 2020, the Board of Directors of RCI Banque consisted of four women and three men. As recommended by the Appointments Committee, the Board of Directors set the goal of maintaining a minimum proportion of 40% of directors of each sex.

To the best of the company's knowledge, there are no conflicts of interest between the private interests of the members of the Board of Directors and their duties towards the company. There are no family ties between the members of the Board of Directors.

During the last financial year, no agreements or arrangements were entered into by any of the company's Senior Managers or significant shareholder with any subsidiary. In accordance with Order 2014-863 of 31 July 2014, the Board of Directors hereby states that agreements entered into with the parent company or with company subsidiaries that are directly or indirectly fully owned are excluded from the scope of control of regulated agreements.

To the best of the company's knowledge, none of the members of the Board of Directors and none of its main Senior Management members has, in the past five years:

- been convicted in relation to fraudulent offences;
- been associated with any bankruptcy, receivership or liquidation, in the capacity of Senior Manager;
- been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities; or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer, or from acting in the management or conduct of the affairs of any issuer.

The management of conflict of interest is governed by Article 4 in the Rules of the Board of Directors stated as follows:

### Article 4: Conduct and conflict of interests

**4.1** In compliance with RCI group Procedure related to the management of conflict of interest of the personnel, the directors shall maintain under any circumstances their independence in analysing, assessing, deciding and acting in order to ensure a good and cautious management of RCI Banque.

They commit to not search for or accept any advantage that may compromise their independence.

**4.2** The directors shall inform the Chairman of the Board of any conflict of interests, including potential, they might directly or indirectly be involved in.

The directors shall inform for example the Chairman of the Board of his intention to accept any new mandate in a listed company which is not part of Renault group.

They shall also inform the Chairman of the Board of any sentence for fraud, and/or public sanction, and of any prohibition to manage or to operate, that may have been ordered against them, as well as any bankruptcy, confiscation or liquidation they may have been associated with.

**4.3** The conflict of interest involving a director is handled by the Chairman of the Board. Where appropriate, the latter assesses the importance of the conflict of interests and decides the relevant mitigation measures.

Where appropriate, the Committee of nominations is requested, and potentially the Board of Directors of RCI Banque. In this case, the relevant director in a situation of conflict of interests does not take part in voting on his case.

**4.4** A conflict of interests involving the Chairman of the Board is handled by the Committee of nominations, and potentially the Board of Directors.

**4.5** The members of the Board of Directors shall sign a declaration indicating the existence or absence of potential conflict of interest annually.

## 3.2.1.3 Preparation of Board of Directors' meetings

The Board of Directors meets at least four times a year and as often as the interest of the company requires, upon notice duly served adequately in advance, by any means, by the secretary of the Board appointed by the Chairman, in accordance with the provisions of the Articles of association.

In accordance with Article L.823-17 of France's Commercial Code (Code de Commerce), the statutory auditors are invited to all meetings of the Board of Directors examining or preparing the annual or interim financial statements, and if relevant, to other meetings at the same time as the directors themselves.

All technical documents and information required for the directors to fulfill their responsibilities are sent to them in compliance with the applicable provisions of the law and the company's Articles of association.

Meetings of the Board of Directors are chaired by the Chairman, who establishes the timetable and agenda for each meeting. He/she organizes and oversees the work of the Board and reports thereon to the annual general meeting. He/she chairs general meetings of shareholders.

The Chairman makes sure that the company's bodies operate properly and that best governance practices are implemented. This applies in particular to the Committees set up within the Board of Directors, whose meetings the Chairman may attend. He/she may submit questions to be examined by these Committees for their opinion.

The Chairman is provided with all information required to perform his/her duties and tasks. He/she is provided with regular updates by Senior Management on all significant events relating to the life of RCI group. He/she may request communication of all appropriate documents and information needed to enlighten the Board of Directors. In this respect, he/she may also interview the statutory auditors and, after informing the Chief Executive Officer thereof, any member of RCI group's Senior Management.

The Chairman ensures that the members of the Board of Directors are in a position to fulfill their duties and makes sure that they are properly informed.

### 3.2.1.4 Activity of the Board of Directors during the 2020 financial year

he Board of Directors met six times during the 2020 financial year:

- on 5 February 2020, the Board in particular examined the business report, approved the corporate and consolidated financial statements to 31 December 2019, and approved the 2020 budget. As recommended by the Accounts and Audit Committee, the Board approved the audit plan for 2020 and assessed the situation on the mandates of the external auditors. As recommended by the Committee of nominations, the Board suggested the renewal of the mandate of Clotilde Delbos as member of the Board. As recommended by the Committee of remunerations, the Board approved the RCI group variable remuneration mechanism for the 2020 financial year. Upon recommendation by the Risks Committee, they approved the report on compliance with alert thresholds and limits associated with the level of risk appetite;
- on 21 April 2020, the Board assessed the situation of the company in the context of sanitary crisis of Covid-19. They also reviewed the recommendation issued by the European Central Bank on 27 March 2020 related to the distribution of dividends for year 2019, they approved the 2019 Internal Control report, took note of the measures taken by the Risk Committee as part of the delegation granted for the analysis and approval of specific procedures, assumptions and ICAAP and ILAAP results, approved the "Capital Adequacy Statement" and the "Liquidity Adequacy Statement" and granted a delegation of signature regarding these two statements at the recommendation of the Risk Committee. They approved the recommendation from the Committee of nominations on the modification in the office term for the Board members and the appointment of a new Board member, Ms Nathalie Riez-Thiollet. Moreover, they approve the report related to the fight against anti-money laundering and terrorism financing AML/TF;
- on 15 May 2020, the Board renewed the mandate of Ms Clotilde Delbos as Chairman of the Board and the appointment of a new Board member, M. Alain Ballu;
- on 24 July 2020, the Board reviewed the business report and approved the consolidated half-year financial statements to 30 June 2019, noted the reforms pertaining to the interest rate indices and the potential impacts of the disappearance of the Libor and Euribor reference rates, and approved the risk mitigation actions. On recommendation by the Appointments Committee, it approved the definition of independent director, their identification on the Board, and approved for 2021 a goal and policy on balanced representation by directors of each sex on the Board of Directors. It also approved the updates to the "Aptitude policy for the Senior Management of RCI Banque: members of the senior management team and holders of key positions". The Board also approved the report on the assessment of RCI Senior Management. As recommended by the Risk Committee, they approved to maintain the portfolio of Corporate France in the IRBA perimeter. They decided on the new composition of the Risk Committee and the Accounts and Audit Committee following the appointments of new Board members. They have been informed of the implementation of an annual declaration of conflicts of interest to sign, of the appointment of a new Chief Transformation Officer and member of the Executive Committee. Last, in order to comply with a recommendation from the European Central Bank, they approved the modification of Article 37 in the articles of Association of the company related to the distribution of dividends;
- on 1st December 2020, the Board authorized the issuances of bonds for 2020/2021 and renewed the relevant powers of attorneys. They approved the update of the strategic note of ICAAP. As recommended by the Risk Committee, they approved the evolutions of the Risk Appetite Statement and the recovery plan. As recommended by the Remuneration Committee, they approved the remuneration policy for 2020 of the risk-takers. Last they have been informed of the circulation of a catalog training sessions which will be sent to the directors annually.

The director attendance rate at these meetings was 99% across the year.

The meetings of the Board of Directors were held at 13-15, Quai Le Gallo, 92512 Boulogne-Billancourt, France, at the head office of Renault s.a.s., RCI Banque's parent company, or at the head office of the Company and through visio conference enabling the identification and the effective participation of the directors due to the sanitary crisis of Covid-19.

The minutes of each Board of Director's meeting were drawn up by the secretary of the Board, approved at the following meeting, and transferred to a register held at the company's head office and available for inspection by the directors.

In addition to the above-mentioned meetings, the Board of Directors held their first seminary on 25 September 2020, where they were presented the Mid-Term Plan of the company and their questions were answered.

### 3.2.1.5 Special committees of the Board of Directors

The **Accounts and Audit Committee** met three times in 2020. Its main duties were to present and monitor the financial statements and preparation thereof, and to monitor the statutory audits of the single-entity and consolidated financial statements. It also examined the audit plan and analyzed the audits performed. The Committee monitored the effectiveness of the internal control and risk management systems, the independence of the statutory auditors, the management of their non-audit services and their rotation. Moreover, they examined the situation of the mandates of the external auditors and has a focus on the non-consolidated entities.

The **Risk Committee** met four times in 2020. Their main duties were to review risk mapping and validate the definition of risks, and to analyze and validate RCI group's limits on risk in keeping with the Board's risk appetite and with a view to assisting the Board in terms of control. They were also in charge of action plan analysis in the event of limit or threshold overrun, and of reviewing product and service pricing systems. Without prejudice to the role of the Remuneration Committee, it was also tasked with reviewing the compatibility of the remuneration policy with the company's exposure to risks. With a view to advising the Board of Directors, the Committee was also tasked with analyzing and approving the report on internal control, ICAAP and ILAAP mechanisms, the recovery plan, and significant aspects of rating and estimating processes using the company's internal credit risk models. They also examined the action plan in the context of Covid-19 sanitary crisis.

The **Remunerations Committee** met twice in 2020. Their main duty was to review the RCI Banque group's remuneration policy and variable component system for 2020. The Committee also reviewed the remuneration granted to officers and directors and to the Chief Risk Officer, and the remuneration policy for individuals with an impact on risk and risk management.

The **Appointments Committee** met seven times in 2020. Their main duty was to recommend members for the Board of Directors and new members of the Executive Committee. They were also tasked with the annual review of the Board of Directors, and in particular with reviewing its structure, its make-up, the diversity of knowledge, expertise and experience of its members, the definition of "Independent director" and its gender balance objectives.

## 3.2.2 SENIOR MANAGEMENT

### 3.2.2.1 Senior Management method

In accordance with the Act implementing CRD IV and with the Order of 3 November on internal control, the roles of Chairman and Chief Executive Officer are separate.

As of 31 December 2020, the Senior Management and effective management of the company (within the meaning of Article L.511-13 of the French Monetary and Financial Code) are carried out under the responsibility of João Miguel Leandro, Chief Executive Officer, François Guionnet, Deputy Chief Executive Officer and VP, Territories and Performance, and Jean-Marc Saugier, Deputy Chief Executive Officer and VP, Finance and group Treasury.

The Chief Executive Officer is vested with the widest powers to act in the company's name in all circumstances, within the purview of the company's corporate purpose, and subject to those that are specifically granted by law to shareholders' meetings and to the Board of Directors. The Chief Executive Officer has the authority to grant sub-delegations or substitute powers of attorney for one or more specified transactions or categories of transactions.

However, the Chief Executive Officer must obtain authorization from the Board of Directors to acquire, sell or mortgage buildings, the Board intending to retain authority in such matters.

The Deputy Chief Executive Officer has the same powers as the Chief Executive Officer with regard to third parties.

### 3.2.2.2 Executive Committee RCI Banque's Executive

Committee (Note prépa: début de phrase?) contributes to forming RCI Banque's policy and strategy. As at 31 December 2020, it comprises, Chief Executive Officer (João Miguel Leandro), VP, Territories and Performance and Deputy Chief Executive Officer (François Guionnet), VP, Finance and Treasury and Deputy Chief Executive Officer (Jean-Marc Saugier), Compliance Officer (Jean-Louis Labauge), VP, Human Resources and Communication (Sandrine Blec-Recoquillay), Director of Marketing and Strategy (Frédéric Schneider), VP, Accounting and Performance Control (Stéphane Johan), VP, Customers and Operations (Marc Lagrené), VP, Information Systems (Umberto Marini) Head of Risk Management (Patrick Claude), and Chief Tranformation Officer (Mallika Mathur Lheritier).

In addition, Senior Management relies in particular on the following Committees to manage the group's risk control:

- the **Finance Committee**, which reviews the following: economic analyses and forecasts, resource cost, liquidity, interest rate and counterparty risks across the group's different scopes and subsidiaries. Changes in RCI Holding's balance sheet and income statement are also analyzed so that the necessary adjustments to intra-group transfer prices can be made;
- the **Credit Committee**, which validates commitments that are beyond the authority of the subsidiaries and group Commitments Officer;
- the **Performance Committee,** for "Customer and Dealer Risks" matters, which assesses the quality of customer lending and subsidiary collection performances in relation to objectives set. With respect to the Dealer business, changes in outstandings and stock rotation indicators, as well as changes in dealership and loan classification are reviewed;
- the **Regulations Committee** which reviews major regulatory changes in prudential supervision and action plans, and validates internal rating models and the related management system;
- the **Internal Control, Operational Risks and Compliance Committee** oversees the whole of the group's internal control system, checks its quality and its related systems, and adjusts means, systems and procedures accordingly. It defines, oversees and monitors the principles of the operational risk management policy, and the principles of the compliance control system. It monitors progress made on the action plans. This body is transposed in RCI Banque group subsidiaries;
- the **New Product Committee** which verifies new products before they are marketed, by ensuring in particular that new products comply with the group's commercial policy, the group's budgetary requirements, legislation applicable locally, and the group's governance of risks.

# 3.3 SPECIAL TERMS AND CONDITIONS FOR SHAREHOLDER PARTICIPATION AT GENERAL MEETINGS

### (Articles 27 to 33 of the Articles of Association)

The provisions of the Articles of Association regarding the terms and conditions for shareholder participation at general meetings are published in the General Information section.

# 3.4 RELATED-PARTY AGREEMENTS

No agreements likely to result in the special application of Article L.225-38 of the French Commercial Code were entered into during the 2020 financial year.

# 3.5 SUMMARY TABLE OF CURRENT DELEGATIONS WITHIN THE MEANING OF ARTICLE L.225-37-4 3° OF THE FRENCH COMMERCIAL CODE

| Corporate body | Trnsaction concerned | Maximum amount | Term of the delegation | Implementation of the delegation |
|---|---|---|---|---|
| Board of Directors meeting of 29 April 2020 | Capital increase in cash | €400,000,000 | 18 months | None |

# Chapter 04

# CONSOLIDATED FINANCIAL STATEMENTS

# 4.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

*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.*

**For the year ended 31 December 2020**

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 2020.

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 2020 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 2020 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).<br>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.<br>Those assumptions are even more important in the current situation of the Covid-19 crisis which brings major economical uncertainties in the world for the years to come in spite of the governement measures taken to favor a rapid economic recovery.<br>The note 2 "Key Highlights" of the consolidated financial statements describes the assumptions used to estimate the impact of the Covid-19 crisis. They mainly consisted in additional provisionning on non-overdue outstanding amounts concerned by current or previous moratoriums, increasing the impairment related to the forward-looking 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.<br>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€ 1 086 with a gross amount of receivables of M€ 48 726. |
| **Our audit response** | Our procedures, performed with our specialists in credit risk, mainly consisted in:<br>- 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;<br>- Assessing the methodologies applied to set the parameters used in the impairment models and their operationnal integration in the information systems;<br>- Assessing the impairment adjustments made by expertise at local and Group levels on the corporates and dealers on receivables showing higher credit risk since initial recognition (bucket 2), and receivables in default (bucket 3);<br>- Examining the documentation supporting the additional impairment booked to reflect the impact of the Covid-19 crisis in the cost of risk and verifying the calculation of the impairment on a sampling of contracts;<br>- Assessing the assumptions used to determine the prospective component of the expected credit loss (forward looking) estimation, in particular on the weighting of the scenarios;<br>- Testing the quality of the application program interfaces that support the calculation and accounting of the expected credit losses;<br>- Evaluating the staging process and most particularly the identification of the significant increase of credit risk on healthy receivables;<br>- Ensuring the completeness and the quality of the data used in the estimation of the provisionning;<br>- Carrying out analytical procedures on the evolution of retail customer and car dealer loans oustandings and credit risk impairment;<br>- 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

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentionnedin Article L.451-1-2,I of the French Monetary and Financial Code (code monétaire et financier).

### 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 2020, KPMG S.A. and Mazars were respectively in the 7th year and 1st 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.

The statutory auditors

| | |
|---|---|
| **Mazars** | **KPMG S.A.** |
| Paris La Défense, 26th February 2021 | Paris La Défense, 26th February 2021 |
| Anne VEAUTE | Ulrich SARFATI |
| *Associée* | *Associé* |

# 4.2 CONSOLIDATED FINANCIAL STATEMENTS

## 4.2.1 CONSOLIDATED BALANCE SHEET

### ASSETS

| *In millions of euros* | Notes | 12/2020 | 12/2019 |
|---|---|---|---|
| Cash and balances at central banks | 2 | 7,299 | 1,527 |
| Derivatives | 3 | 230 | 177 |
| Financial assets at fair value through other comprehensive income | 4 | 649 | 1,364 |
| Financial assets at fair value through profit or loss | 4 | 219 | 105 |
| Amounts receivable at amortised cost from credit institutions | 5 | 1,232 | 1,279 |
| Loans and advances at amortised cost to customers | 6 and 7 | 46,222 | 50,582 |
| Current tax assets | 8 | 26 | 16 |
| Deferred tax assets | 8 | 188 | 171 |
| Tax receivables other than on current income tax | 8 | 139 | 245 |
| Adjustment accounts & miscellaneous assets | 8 | 973 | 1,069 |
| Investments in associates and joint ventures | 9 | 129 | 142 |
| Operating lease transactions | 6 and 7 | 1,418 | 1,227 |
| Tangible and intangible non-current assets | 10 | 83 | 92 |
| Goodwill | 11 | 79 | 84 |
| **TOTAL ASSETS** | | **58,886** | **58,080** |

### LIABILITIES AND EQUITY

| *In millions of euros* | Notes | 12/2020 | 12/2019 |
|---|---|---|---|
| Central Banks | 12.1 | 2,250 | 2,700 |
| Derivatives | 3 | 84 | 92 |
| Amounts payable to credit institutions | 12.2 | 2,302 | 2,780 |
| Amounts payable to customers | 12.3 | 21,540 | 18,605 |
| Debt securities | 12.4 | 21,991 | 24,016 |
| Current tax liabilities | 14 | 143 | 129 |
| Deferred tax liabilities | 14 | 587 | 588 |
| Taxes payable other than on current income tax | 14 | 24 | 33 |
| Adjustment accounts & miscellaneous liabilities | 14 | 2,151 | 1,895 |
| Provisions | 15 | 190 | 185 |
| Insurance technical provisions | 15 | 461 | 488 |
| Subordinated debt – Liabilities | 17 | 890 | 867 |
| Equity | | 6,273 | 5,702 |
| *Of which equity – owners of the parent* | | *6,260* | *5,649* |
| *Share capital and attributable reserves* | | *814* | *814* |
| *Consolidated reserves and other* | | *5,159* | *4,271* |
| *Unrealised or deferred gains and losses* | | *(500)* | *(339)* |
| *Net income for the year* | | *787* | *903* |
| *Of which equity – non-controlling interests* | | *13* | *53* |
| **TOTAL LIABILITIES & EQUITY** | | **58,886** | **58,080** |

## 4.2.2 CONSOLIDATED INCOME STATEMENT

| *In millions of euros* | Notes | 12/2020 | 12/2019 |
|---|---|---|---|
| Interest and similar income | 25 | 1,928 | 2,196 |
| Interest expenses and similar charges | 26 | (643) | (744) |
| Fees and commission income | 27 | 609 | 605 |
| Fees and commission expenses | 27 | (250) | (234) |
| Net gains (losses) on financial instruments at fair value through profit or loss | 28 | 7 | 22 |
| Income of other activities | 29 | 1,039 | 1,028 |
| Expense of other activities | 29 | (735) | (777) |
| **NET BANKING INCOME** | | **1,955** | **2,096** |
| General operating expenses | 30 | (581) | (585) |
| Depreciation and impairment losses on tangible and intangible assets | | (19) | (18) |
| **GROSS OPERATING INCOME** | | **1,355** | **1,493** |
| Cost of risk | 31 | (353) | (177) |
| **OPERATING INCOME** | | **1,002** | **1,316** |
| Share in net income (loss) of associates and joint ventures | 9 | 19 | 21 |
| Gains less losses on non-current assets | | (1) | (2) |
| Impact of Profit & Loss for Subisidiaries in Hyperinflation Context | | (15) | (8) |
| Goodwill impairment | | (2) | |
| **PRE-TAX INCOME(1)** | | **1,003** | **1,327** |
| Income tax | 32 | (206) | (392) |
| **NET INCOME** | | **797** | **935** |
| Of which, non-controlling interests | | 10 | 32 |
| Of which owners of the parent | | 787 | 903 |
| Number of shares | | 1,000,000 | 1,000,000 |
| **Net Income per share(2) in euros** | | **787.32** | **902.52** |
| **Diluted earnings per share in euros** | | **787.32** | **902.52** |

*(1) 2019 pre-tax income was impacted in the amount of +€20.8 million by mobility start-ups (current operations and disposal to Renault MAI).*
*(2) Net income – Owners of the parent compared to the number of shares.*

## 4.2.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **NET INCOME** | **797** | **935** |
| Actuarial differences on post-employment benefits | (4) | (10) |
| *Total of items that will not be reclassified subsequently to profit or loss* | *(4)* | *(10)* |
| Unrealised P&L on cash flow hedge instruments | | (14) |
| Exchange differences | (159) | 15 |
| *Total of items that will be reclassified subsequently to profit or loss* | *(159)* | *1* |
| Other comprehensive income | (163) | (9) |
| **TOTAL COMPREHENSIVE INCOME** | **634** | **926** |
| Of which Comprehensive income attributable to non-controlling interests | 8 | 29 |
| Of which Comprehensive income attributable to owners of the parent | 626 | 897 |

## 4.2.4 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 2018** | **100** | **714** | **3,923** | **(313)** | **(20)** | **858** | **5,262** | **45** | **5,307** |
| Appropriation of net income of previous year | | | 858 | | | (858) | | | |
| **Equity at 1st January 2019** | **100** | **714** | **4,781** | **(313)** | **(20)** | | **5,262** | **45** | **5,307** |
| Change in value of financial instruments recognized in equity | | | | | (10) | | (10) | (4) | (14) |
| Actuarial differences on defined-benefit pension plans | | | | | (10) | | (10) | | (10) |
| Exchange differences | | | | 14 | | | 14 | 1 | 15 |
| Net income for the year (before appropriation) | | | | | | 903 | 903 | 32 | 935 |
| **Total comprehensive income for the period** | | | | **14** | **(20)** | **903** | **897** | **29** | **926** |
| Effect of acquisitions, disposals and others | | | (2) | | | | (2) | (1) | (3) |
| Dividend for the year | | | (500) | | | | (500) | (11) | (511) |
| Repurchase commitment of non-controlling interests | | | (8) | | | | (8) | (9) | (17) |
| **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 1st 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 post-employment benefits | | | | | (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 other | | | (4) | | | | (4) | (1) | (5) |
| Dividend for the year[(5)] | | | | | | | | (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** |

*(1) The share capital of RCI Banque S.A. (€100 million) consists of 1,000,000 fully paid up ordinary shares with par value of €100 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 2020 relates primarily to Argentina, Brazil, Colombia, South Korea, India, Morocco, Poland, Russia, Turkey, the United Kingdom and Czech Republic. At 31 December 2019, it related primarily to Argentina, Brazil, South Korea, Russia, Turkey, the United Kingdom, Switzerland, Poland and Morocco.*

*(4) Includes changes in the fair value of derivatives used as cash flow hedges and fair value on debt instruments for -€20 million and IAS 19 actuarial gains and losses for -€26 million at end-December 2020.*

*(5) Distribution outside the group of dividends by companies in which non-controlling interests are held.*

## 4.2.5 CONSOLIDATED CASH FLOW STATEMENT

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | **787** | **903** |
| Depreciation and amortization of tangible and intangible non-current assets | 18 | 17 |
| Net allowance for impairment and provisions | 238 | 92 |
| Share in net (income) loss of associates and joint ventures | (19) | (21) |
| Deferred tax (income)/expense | (35) | 98 |
| Net loss/gain from investing activities | 4 | 7 |
| Net income attributable to non-controlling interests | 10 | 32 |
| Other (gains/losses on derivatives at fair value through profit and loss) | (9) | 30 |
| **CASH FLOW** | **994** | **1,158** |
| Other movements (accrued receivables and payables) | 231 | 53 |
| **TOTAL NON-MONETARY ITEMS INCLUDED IN NET INCOME AND OTHER ADJUSTMENTS** | **437** | **308** |
| Cash flows on transactions with credit institutions | (645) | 557 |
| Inflows/outflows in amounts receivable from credit institutions | (79) | (52) |
| Inflows/outflows in amounts payable to credit institutions | (566) | 609 |
| Cash flows on transactions with customers | 5,843 | (2,554) |
| Inflows/outflows in amounts receivable from customers | 2,721 | (4,210) |
| Inflows/outflows in amounts payable to customers | 3,122 | 1,656 |
| Cash flows on other transactions affecting financial assets and liabilities | (757) | 105 |
| Inflows/outflows related to AFS securities and similar | 547 | (432) |
| Inflows/outflows related to debt securities | (1,612) | 406 |
| Inflows/outflows related to collections | 308 | 131 |
| Cash flows on other transactions affecting non-financial assets and liabilities | 44 | (38) |
| **NET CHANGE IN ASSETS AND LIABILITIES RESULTING FROM OPERATING ACTIVITIES** | **4,485** | **(1,930)** |
| **NET CASH GENERATED BY OPERATING ACTIVITIES (A)** | **5,709** | **(719)** |
| Flows related to financial assets and investments | 5 | 81 |
| Flows related to tangible and intangible non-current assets | (10) | (14) |
| **NET CASH FROM/(USED BY) INVESTING ACTIVITIES (B)** | **(5)** | **67** |
| Net cash from/(to) shareholders | (5) | 339 |
| Outflows related to repayment of Equity instruments and subordinated borrowings | 6 | 850 |
| Dividends paid | (11) | (511) |
| **NET CASH FROM/(USED BY) FINANCING ACTIVITIES (C)** | **(5)** | **339** |
| **EFFECT OF CHANGES IN EXCHANGE RATES AND SCOPE OF CONSOLIDATION ON CASH AND EQUIVALENTS (D)** | **(57)** | **(10)** |
| **CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | **5,642** | **(323)** |
| Cash and cash equivalents at beginning of year: | 2,469 | 2,792 |
| Cash and balances at central banks | 1,494 | 2,018 |
| Balances in sight accounts at credit institutions | 975 | 774 |
| Cash and cash equivalents at end of year: | 8,111 | 2,469 |
| Cash and balances at central banks | 7,289 | 1,494 |
| Credit balances in sight accounts with credit institutions | 1,010 | 1,110 |
| Debit balances in sight accounts with credit institutions | (188) | (135) |
| **CHANGE IN NET CASH(1)** | **5,642** | **(323)** |

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

# 4.3 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.

## 4.3.1 APPROVAL OF FINANCIAL STATEMENTS – DISTRIBUTIONS

**Groupe RCI Banque consolidated financial statements at 31 December 2020, were approved by the Board of Directors' meeting on 12 February 2021, and will be put before the annual general meeting of 20 May 2021, for approval.**

Groupe RCI Banque consolidated financial statements for 2019 were approved by the Board of Directors at its meeting of 5 February 2020, and by the annual general meeting of 29 April 2020. It was decided to pay an interim dividend of €450 million on net income for 2019 to the shareholder, Renault, and to allocate an amount of €300 million to the reserve.

The decision to set aside an amount of €300 million was taken in accordance with the ECB's recommendation to banking institutions on 27 March 2020, not to distribute dividends as part of the exceptional measures related to the Covid-19 pandemic.

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.

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

## 4.3.2 KEY HIGHLIGHTS

### Changes in the scope of consolidation in 2020

- New issues of securitization funds: the French subsidiary has set up a securitization program for outstandings on Leases with Purchase Options (LOA) originating from DIAC. As part of this program, a public operation ("Cars Alliance Auto Leases France V 2020-1" compartment) backed by rent receivables was issued for an amount of €950 million (of which €200 million retained by RCI) in Class A (rated AAA by DBRS and Aaa by Moody's) and €41.5 million in Class B (rated AA (Low) by DBRS and Aa3 by Moody's). A second operation ("Cars Alliance Auto Leases Master France" compartment) was issued for an amount at origin of €474 million in Class A (rated AAA by DBRS and Aaa by Moody's), retained in full by RCI.
- Romania: RCI Leasing Romania IFN SA has decided to change its functional currency from euros to Romanian lei. This change has been in effect since 1st January 2020.
- **Brexit:** The exit of the United Kingdom from the European Union did not result in the recognition of provisions for liabilities and charges by groupe RCI Banque at 31 December 2020. As a reminder, in order to anticipate the consequences of Brexit, as of 14 March 2019, all of the branch's activities in the United Kingdom were transferred to a new entity, RCI Bank UK PLC, a credit institution wholly-owned by RCI Holding. No additional operations were necessary in 2020.
- **Exemption scheme:** Extension of the activity exemption scheme for a further year (agreement signed with the trade unions on 17 December 2020).

### Nissan Europe cooperation agreement

Signature of a term sheet with Nissan Europe to define the principles of cooperation until 31 March 2025.

### Italy

The court annulled the fine imposed by the competition authority AGCM for an amount of €125 million on 24 November 2020. The AGCM has appealed the decision and the procedure is ongoing. However, in view of the elements known at the end of 2020, it was deemed that no provision is required to be recognized at this stage. There is therefore no impact on the consolidated financial statements.

### Covid-19 health crisis

The health crisis linked to the Covid-19 pandemic has impacted the global economy in 2020. In France, this crisis led to two lockdown phases during the year, leading to a slowdown in economic activity. Within the RCI group, the consequences of this event are presented below.

### Activity

- Closure of concessions during lockdown.
- Absence of on-the-ground recovery activity and operation of auction rooms for the resale of vehicles.

### Operational

- Implementation of teleworking for all employees.
- Use of partial unemployment.

### Effect of moratoriums on interest revenue

The new moratoriums or extensions of moratoriums put in place after the first lockdown concern a limited number of countries (for the most part Italy, Morocco and Colombia). They provide for a full (Italy, Morocco) or partial (50% of amounts due in Colombia) postponement of monthly payments with the application of interest for the deferral period.

In accordance with IFRS 9 paragraph 5.4.3, which specifies that when the contractual cash flows of a financial asset are renegotiated or are otherwise modified, and the renegotiation or modification does not result in the derecognition of this financial asset, the entity recalculates the sum of the modified flows, discounted at the original effective interest rate, and recognizes either a gain or an expense on the modification in profit or loss. The overall analysis, country by country, where the RCI group's subsidiaries are located, did not reveal any significant revenue losses due to these changes.

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

### INFORMATION ON OUTSTANDINGS SUBJECT TO MORATORIUMS

| | 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)** |

*(*) For the dealer financings, the outstandings under "other countries" relate primarily to Ireland (€14.5 million) and Switzerland (€5.6 million).*

At the end of December, in our Customer portfolio (excluding dealers), the amount of exposures subject to deferral of unexpired payment due dates amounted to €263.8 million. Most of the moratoriums granted during the first lockdown expired during the second half of the year, in particular, €2,423 million of moratoriums granted by default[1] in France to all companies with a financed vehicle. A residual part was rescheduled. The amount of restructured receivables (forbearance) thus increased from €39 million at the end of 2019 to €368 million at the end of 2020 (for the performing portion).

The monthly payments for which the due date had been deferred were settled between the months of September and November in addition to the contractual deadline.

In the Dealer network financing activity, the amount of exposures that have been deferred and have not expired now amounts to only €25 million. Almost all of the scheduled payment deferrals granted to dealerships during the lockdown period were settled with RCI, mainly due to the resumption of vehicle sales activity in Europe. It should be noted that during the last quarter, no new widespread deferral measures were taken despite the various new partial or global lockdowns in certain countries.

After having experienced a strong deterioration in the second quarter of 2020, losses given default used to calibrate provisions recovered during the second half of the year, reaching over the year, a level in line with that observed before the Covid-19 crisis.

*(1) Moratorium granted systematically and by default to all Diac and Diac Location corporate customers to relieve customer relationship management platforms during the first days of lockdown. Customers not wishing to benefit from these payment extensions were able to request the maintenance of their contractual schedule.*

There was a similar trend in default rates, as government aid and moratoriums helped to mitigate the effects of the crisis and delay the occurrence of payment difficulties. For this reason, and on the basis of ECB recommendations on the identification and measurement of credit risk in the context of the coronavirus pandemic, various adjustments were made:

- on the criteria for reclassification of certain receivables to Bucket 2 (receivables impaired since origination); this is an out of model adjustment;
- in the provisioning of the same receivables; this is an out of model adjustment.

These reclassifications mainly concern (see Note 7):

- corporate exposures outside the dealer network in business sectors affected by the crisis (hotels, restaurants, short term leasing, etc.) for which an individual review was carried out. The total amount of the exposures concerned amounts to €325 million, of which a large part is in France;
- customers under moratoriums for periods of more than six months. The exposures concerned amount to €185 million divided between Italy (€138 million) and Morocco (€47 million, including €28 million of expired moratoriums).

These reclassifications explain a significant portion of the increase in Bucket 2, which rose from €2,916 million at the end of 2019 to €4,296 million at the end of 2020. In addition, these reclassifications do not modify the process of monitoring credit risk deterioration (see section 4.3.3.5), since they are out of model adjustments on a population identified in the context of the Covid-19 crisis.

Migration to Bucket 2 during the year results in a coverage rate of the same order as that observed in 2019, which explains the stability of the overall coverage rate of outstandings.

Furthermore, the estimate of the forward-looking provision 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 €1,775 million. Once again, the adjustment made was to bring the provisioning rate to the rate recorded for the outstandings of the same segments recognized in Bucket 2.

In total, the provisioning rate for Bucket 2 increased from 5.3% to 6% as a result of changes in risk parameters, while the provisioning rate for Bucket 3 increased from 65.3% to 66.0% between end of 2019 and the end of 2020. As for Bucket 1, the forward-looking adjustment led to a significant increase from 0.26% for exposures in this category to 0.40% at the end of 2020.

On the insurance business, the impact related to the Covid-19 crisis is easier to see on death and employment cover. Thus, at the end of December 2020, there were 166 claims relating to the first wave[1] for a total amount of €1.6 million. The impact of this first wave is therefore less pronounced than expected, even though the average payout was higher.

Concerning the second wave, two main observations should be noted:

- across all countries, after reaching the peak of the wave, we are seeing a much slower deceleration in the death curve than in the first wave;
- in addition, in Germany, this second wave is much more lethal than the first.

There are 300 claims for a total compensation amount of €2 million.

Regarding the impact of the provisioning for job loss, in 2020, we recorded an additional expense of €3.5 million for job loss coverage to anticipate the potential effects of an economic crisis. At this stage, no significant increase in losses has been observed, and an increase in the impact of claims on this guarantee has only been observed in Germany.

It should be noted that policies for job losses do not cover partial unemployment.

In short, the group considers that the surplus reserves (death and loss of employment) set up in 2020 are sufficient to absorb the impact of the Covid-19 crisis on the accounts of the insurance subsidiaries.

## Impairment tests

Impairment tests revealed an indication of impairment on goodwill held on RCI Financial Services, S.r.o, in the Czech Republic. This impairment loss of €2 million, the difference between the recoverable value and the carrying amount, was recognized by an impairment in the 2020 financial statements (see part 4.3.3.2 and Note 11).

No other indication of loss of value (or gain resulting from an acquisition on advantageous terms) on other financial assets was detected.

**Note**: the methodology applied to carry out the impairment tests is unchanged compared to the closing date in 2019.

## 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.

Losses given default used to calibrate provisions were impacted by the health crisis, as the recovery and sales of seized vehicles came to a virtual standstill during the lockdown period. The increase in LGDs led to an increase in the provisioning rate of receivables impaired since origination (B2), which rose from 5.3% to 6.0%, with the rate of coverage of performing receivables (B1) increasing from 0.5 to 0.7%. The proportion of defaulted receivables rose slightly to 1.6% of outstandings, compared to 1.3% at the end of 2019, with their provisioning rate rising very slightly. These elements lead to an increase in provisions for credit risk.

*(1) We estimate that all deaths occurring before 30 September 2020 fall within the first wave.*

In total, provisions for impairment increased by €204 million compared to December 2019, including €86 million for the forward-looking update. The €86 million breaks down as follows:

- €41 million for the update of the scenario weighting;
- €45 million for the collective provision for economic players in sectors most affected by the Covid-19 crisis.

This increase is mainly due to the impact of Covid-19.

The breakdown of transactions with customers and the provisions associated with each IFRS 9 classification are detailed in Notes 7 and 24.

### Significant assumptions for IFRS 9 expected loss calculations

#### Forward-looking

In the absence of reliable projections to incorporate the impacts of Covid-19 into the forward-looking assumptions used to calculate Expected Credit Losses, ESMA recommends, in light of past data and taking into account government intervention, allocation of a preponderant weighting to the scenario of stability of the long-term economic environment. In line with ESMA guidelines, RCI Banque has reinforced the preponderance of the "stability" scenario while increasing the weighting of the "adverse" scenario and sharply reducing that of the "baseline" scenario (the most optimistic) compared to the level retained at 31 December 2019. This approach, taken in the first half of 2020, was strengthened in the second half. More specifically, the weighting of the adverse scenario was increased from 12% at the end of 2019, to 20% in June 2020, and then to 24% at 31 December 2020.

At group level, based on the 2020 scenarios and the ECLs by Bucket at the end of 2020, the increase in the weighting of the "adverse" scenario by one point versus the "baseline" scenario generates an allocation of €4.9 million (€3.7 million on the retail business and €1.2 million on the Dealer network financing business).

In addition, the statistical estimate of the forward-looking provision on customer activity was supplemented for segments deemed particularly affected by the crisis (hotels, catering, short-term leasing, etc.).

These measures led to an increase of €86 million in forward-looking provisions, mainly attributable to customer activity.

#### Provisions for appraisal moratoriums

In respect of provisioning, an additional provision was applied to exposures that were deferred during lockdown periods, whether or not these exposures were downgraded to forbearance. The method used consisted in covering the non-defaulted outstandings, that were subject to active or expired moratoriums, at the average Bucket 2 coverage rate according to the IFRS 9 methodology in place. At the end of December, the adjustment represented an expense of €39 million on outstanding customer loans still subject to moratoriums of €3.5 billion to date, of which €263.8 million are still in the moratorium phase. When the moratoriums were put in place without invoicing the interest on the deferred payments, a downgrading of outstandings to Bucket 2 and forborne status was carried out for a value of €186 million to date.

#### Sector approach

The main sectors of activity used are the hotel and catering sector, which together account for less than 1% of exposures, and short-term leasing, which conversely accounts for nearly 3% of customer loans. This list was occasionally supplemented by a number of sectors specific to certain countries. In the selected sectors, the provisioning rate for Bucket 1 exposures was supplemented to bring it to the rate applied to Bucket 2, this adjustment representing an additional €45 million.

#### Specific details relating to the ECL model

The statistical models are based on the history of payment and defaulting behaviour observed over the recent past. Typically, recent history underestimates the risk of default of companies operating in the sectors most affected by the crisis, as government support measures and payment extensions have been effective.

On the internal models using the advanced approach for the retail portfolio, a recalibration of the IFRS 9 bucketing was carried out, leading to a slight increase in Bucket 2 outstandings and provisions (€9 million).

#### Classification of assets by Bucket following ESMA recommendations

Downgrading from one Bucket to another (and in particular from Bucket 1 to Bucket 2) should not be systematic on account of forbearance, 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 and 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 4.3.3.5 and Note 7.1).

## 4.3.3 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 2020 and as adopted in the European Union by the statement closing date.

### 4.3.3.1 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 1st January 2020.

#### New regulations that must be applied at 1st January 2020

| | |
|---|---|
| Amendments to IFRS 9, IAS 39 and IFRS 7 | Interest rate reform – Phase 1 |
| Amendments to IAS 1 and IAS 8 | Definition of "material" |
| Amendment to IFRS 3 | Definition of a business |
| Conceptual framework | Modification of references to the Conceptual Framework in IFRS |

The application of these standards and amendments from 1st January 2020, has no significant effect on the group's financial statements.

**Other standards applied by the group from 1st January 2020**

From 1st January 2020, the group applies IFRS 9 phase 3 on hedge accounting. The group opted for deferred application of IFRS 9 phase 3 as permitted by law when the standard came into force on 1st January 2018. Thus, this application currently has no material impact on the group's financial statements but allows the classification of synthetic sets composed of a debt and a derivative as hedged items.

In view of the IFRIC decision issued in March 2020 on the classification of the effects of indexation and the conversion of the financial statements of subsidiaries in hyperinflationary economies, the group concluded that the combination of the effects of indexation and the conversion meets the definition of an exchange rate difference within the meaning of IAS 21 – The effects of changes in foreign exchange rates, since the indexation in application of changes in price increase indices is correlated with the change in the exchange rate of the Argentine peso against the euro and mitigates the effect of the devaluation of the Argentine peso.

#### New text published by the IASB for application in 2020 and published in the Official Journal of the European Union

| | |
|---|---|
| IFRS 16 | Amendment to IFRS 16 "Covid-19-related rent concessions" |

On 28 May 2020, the IASB published an amendment to IFRS 16 "Covid-19-related rent concessions" with an effective date of 1st June, 2020, which was approved by the European Union on 9 October 2020. The text proposes an optional exemption for lessees which makes it possible to recognize in profit or loss the reductions in rents obtained at the time of the conclusion of reduction agreements with lessors. This measure applies to lease payments initially due on or before 30 June 2021. Lessees can choose to apply the unamended provisions of IFRS 16, which consist in carrying out a detailed analysis of the concession agreements and treating them as contract amendments, where applicable. The reductions from which the group benefited had no significant impact.

#### Published standards and amendments applied early

| | | |
|---|---|---|
| Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 16 and IFRS 4 | Interest rate reform – Phase 2 | 1st January 2021 |

**IBOR interest rate reform**

At 31 December 2020, the groupe RCI Banque has applied, by anticipation, the amendments to IAS 39, IFRS 9 and IFRS 7 relating to phase 2 of the interest rate benchmark reform.

The remuneration of the margin call account with clearing houses changed from EONIA to €STER in July 2020. Application of these amendments allows the RCI group to modify the effective interest rate of this financial instrument prospectively without any immediate impact on the income statement.

As of 31 December 2020, no other financial instrument traded with a counterparty external to the RCI group had been renegotiated on account of the interest rate reform. The group has signed up to the "ISDA 2020 Fallbacks Protocol" governing fallback clauses.

The RCI group has also distinguished the different reference rates used in interest rate hedging relationships and affected by the reform: EURIBOR, GBP LIBOR and CHF LIBOR.

- The group considers that it has no uncertainty regarding the future of the EURIBOR index, which is in compliance with the European Benchmark Regulation.
- At 31 December 2020, the RCI group qualified interest rate swaps in fair value hedging relationships for a nominal amount of CHF300 million (variable rate indexed to the CHF LIBOR) and a nominal amount of £100 million (variable rate indexed to the GBP LIBOR).

Risk hedging strategies have not yet been modified by the transition to the new benchmarks.

The early application of these amendments has no impact on the group's financial statements at 31 December 2020.

### Published standards and amendments not yet applicable

| | | |
|---|---|---|
| Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 16 and IFRS 4 | Interest rate reform – Phase 2 | 1st January 2021 |
| Amendment to IAS 37 | Onerous contracts – cost of fulfilling a contract | 1st January 2022 |
| Amendment to IFRS 3 | Reference to the Conceptual Framework | 1st January 2022 |
| Improvement of the IFRS cycle 2018-2020 | Standards concerned: IFRS 9, Derecognition of a financial liability: fees and commissions to be included in the 10% test IFRS 16 Lease incentives | 1st January 2022 |
| Amendment to IAS 16 | Property, plant and equipment – Proceeds before intended use | 1st January 2022 |
| IFRS 17 | Insurance contracts | 1st January 2023 |

At this stage, the group intends to apply the interest rate reform – phase 2 early. The other standards are therefore not applied in the financial statements at the end of December 2020.

## 4.3.3.2 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).

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

The securitized assets of Diac SA, RCI FS Ltd and the Italian and German branches for which groupe RCI Banque has retained the majority of the risks and rewards, remain on the asset side of the balance sheet.

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 €165 million at 31 December 2020, compared with €151 million at 31 December 2019. 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 4.3.8.2.

### 4.3.3.3 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.

### 4.3.3.4 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 2019, concerning:

- **forward-looking** (see the paragraph "Cost of risk" in section 4.3.2. Key highlights);
- **provision estimation models**:

  The analysis of the impact of the Covid-19 health crisis has not led to any changes in the estimation models. However, the parameters used in the models have been updated to take into account the impacts of Covid-19.

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

### 4.3.3.5 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 4.3.3.6, are in substance booked as sales financing receivables.

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.

### 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 July 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.

#### Definition of Expected Credit Loss

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

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

### Generic ECL formula

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

$$ECL_{Maturity} = \sum_{i=1\,month}^{M\,month} EAD_i * PD_i^9 * ELBE_D^9 * \frac{1}{(1+t)^{i/12}}$$

With:

- **M** = maturity;
- **EAD$_i$** = expected exposure at the time of the start of default for the year in question (taking into account any early repayments);
- **PD$^9_i$** = probability of default during the year in question;
- **ELBE$^9_0$** = 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.

#### Probability of default – PD

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

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

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

#### Update

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

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

#### Forward-looking perspective

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

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

The RCI Bank & Services method is based on a multi-scenario (three 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

The decision to take the existing doubtful/compromised debt accounting notion as a basis for identifying B3 assets was made for the following reasons:

- immaterial differences between the two notions;
- continuity in the doubtful debt base between IAS 39 and IFRS 9.

As a reminder, with respect to the "Customer" business, a receivable is considered as doubtful as soon as:

- one or more installments have remained unpaid for at least three months;
- 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.

With respect to the Dealer business, the definition of default is covered by a specific procedure based on:

- the existence of an installment that has remained unpaid for more than three months (or first unpaid instalment on a forborne exposure);
- the existence of a collective procedure;
- the presence of indicators that express uncertainty as to future payment such as financial contract end, actual fraud, etc.

As a reminder: Compromised receivables are doubtful loans for which the likelihood of collection is remote and that are expected to be written off.

A receivable is classified as compromised when the counterparty is declared to have defaulted, or in leasing, when the lease agreement is terminated, and in any event, one year at the latest after the receivable has been classified as doubtful.

If after a receivable has been reclassified as sound, the debtor does not meet the payment deadlines set, that receivable is immediately downgraded to compromised receivable status.

Note that the rebuttable presumption of significant deterioration if a loan is 90 days past due offered by IFRS 9 matches the current definition of default within groupe RCI Banque. Consequently, the group has decided not to refute this presumption and to consider that all facilities with payments that are more than 90 days past due are in Bucket 3.

Purchased or originated credit impaired loans (POCI): these financial assets, which are credit-impaired at the time of their creation (loans to a doubtful dealer for example) are treated differently, as they are impaired at initial recognition. Such transactions are classified in Bucket 3 at initial recognition.

Within the groupe RCI Banque, this category mainly concerns the Dealer customer base, which may continue to receive financing even when the dealer has been classified as defaulted. This category of receivables must be kept to a minimum and is subject to Risk Committee agreement.

The acquisition of receivables (doubtful or sound) is not part of the groupe RCI Banque's business model.

The following are not included as receivables in default:

- 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.

### 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.

### 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.

## 4.3.3.6 "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".

### 4.3.3.7 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 2020, the RCI Banque group had provided €17,858 million in new financing (including cards) compared with €21,443 million at 31 December 2019.

#### Relations with the dealer network

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

At 31 December 2020, dealer financing net of impairment allowances amounted to €8,894 million against €11,645 million at 31 December 2019.

At 31 December 2020, €1,152 million was finance directly granted to subsidiaries or branches of Groupe Renault against €874 million at 31 December 2019.

At 31 December 2020, the dealer network had received, as business introducers, remuneration of €792 million against €964 million at 31 December 2019.

#### 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 2020, this contribution amounted to €501 million against €643 million at 31 December 2019.

### 4.3.3.8 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.

### 4.3.3.9 Tangible and intangible non-current assets (IAS 16/IAS 36)

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.

## 4.3.3.10 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.

## 4.3.3.11 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, the Netherlands 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, RCI Financial Services BV 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.

## 4.3.3.12 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.

### 4.3.3.13 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.

### 4.3.3.14 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.

### 4.3.3.15 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.

### 4.3.3.16 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 in the following cases:

- hedging interest-rate risk on fixed rate liabilities using a receive fixed/pay variable swap or cross currency swap;
- hedging foreign exchange risk on foreign currency assets or liabilities using a 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/pay fixed swap, enabling them to be backed by fixed rate assets (macro-hedge from the economic perspective);
- 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.

These transactions mainly include:

- foreign exchange transactions with an initial maturity of less than one year;
- identified embedded derivatives that are part of the group's structured issues, and the associated swaps;
- swaps contracted in connection with securitization transactions;
- variable/pay variable swaps in a given currency to hedge interest-rate risk on variable-rate issues.

## 4.3.3.17 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 1st 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 | ü | ü |
| Finance Lease | ü | NA |
| Operating Lease | ü | NA |
| Services | ü | NA |

## 4.3.3.18 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.

### Technical liabilities on insurance contracts

- Reserve 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 reserves: these are reserves for claims not yet reported. 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. These estimates are performed in "Best Estimate", adding a calibrated prudential margin so that IBNR reserves are still sufficient even in case of a possible future adverse deviation in claim (not extreme shocks).

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.

### 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".

## 4.3.3.19 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.

## 4.3.4 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, 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

Following the implementation of lockdowns in almost all the countries in which RCI Banque is present, priority has been given to restoring operations for the recovery of affected and doubtful loans.

The transition to teleworking was initially accompanied by a loss of efficiency, which was gradually corrected. The number of employees dedicated to these activities has been increased, both for internal staff and for the resources assigned to the RCI Banque activity for collection service providers.

In countries that have granted a significant number of payment extensions, an additional increase in the workforce has been made (in France and Brazil in particular) or is planned before the end of the moratoriums (in Italy, for example).

With regard to acceptance risk, an action plan has been drawn up in anticipation of the expected deterioration of the economic environment. After estimating this deterioration potential country by country, a plan to maintain the profitability of production was built around three axes:

- the implementation of additional controls and specific grant policies by business sector (corporate client or employer of an individual client);
- downward adjustment of probability of default targets;
- the increase in pricing, mainly in South American countries where the practice of risk-based pricing is widespread.

As the economic outlook remains uncertain, the management of the acceptance policy will continue to be adjusted regularly according to the observed risk as well as forecasts and stress in the main countries by market (retail, corporate).

Despite a very unfavorable environment, RCI Banque's objective is to maintain its 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 2020.

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 Covid-19 health crisis has profoundly affected economies and markets throughout 2020. Governments and central banks quickly took action to avoid a major and lasting economic crisis.

Initially concentrated in China and Asia, the Coronavirus epidemic spread worldwide. Between March and April 2020, fears of a health crisis led many countries to introduce strict lockdown measures. These measures have had a major impact on economic activity and consumption. To prevent this health crisis from triggering a major economic crisis, the main central banks took extensive monetary policy measures.

In the United States, the Federal Reserve has reactivated an asset purchase program comprising government bonds, municipal bonds, corporate bonds, mortgage securities and securitization bonds for a total amount of US$2.6 trillion. It also reduced the Fed Funds rate to 0-0.25%, i.e. a drop of 150 bps since early March, and announced plans to keep them at a level close to zero until at least 2022. In July, the institution modified its long-term policy to reach an average target interest rate of 2% and allow monetary flexibility aimed at regaining a full employment market.

The European Central Bank has introduced a new emergency purchasing program in response to the pandemic. Initially announced for €750 billion, the Pandemic Emergency Purchase Program, or PEPP, was subsequently increased to €1.85 trillion. TLTRO III terms were also eased with a reduction in the rate and a downward recalibration of the growth targets that banks must achieve in order to benefit from the subsidized rate. In July, the 27 European countries also reached agreement on a €750 billion recovery plan, split between €390 billion in subsidies and €360 billion in loans intended to finance post-pandemic recovery efforts.

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

Nevertheless, equity indexes fell sharply in February and March and credit spreads widened significantly.

During the second half of the year, marked by the end of lockdowns, market conditions gradually normalized before experiencing a temporary rise in risk aversion linked to the resurgence of the health crisis at the end of October. The election of a new Democratic President in the USA in early November and the growing hopes for the development of an effective vaccine against Covid-19 led to a sharp rebound in equity markets as well as a tightening of risk premiums on the bond market. The agreement reached on the conditions of Brexit and the start of Covid-19 vaccination campaigns also supported the markets in early 2021.

After a low of -36%, the Euro Stoxx 50 index ended the year down -5%. At the same time, credit spreads on corporate bonds (IBOXX Corporate index) experienced similar volatility, rising from 70 bps in January to 200 bps at the end of March, before ending the year at 74 bps.

## 4.3.5 REFINANCING

During the year, the use of market financing was modest and the company was barely impacted by the increase in financing costs. This situation is the result of fewer bonds falling due in 2020 than in previous years (anticipation of the refinancing of the TLTRO II launched in 2016), the slowdown in automotive sales and the resulting decline in new loan volumes.

Deposits from retail customers increased by €2.8 billion since December 2019, reaching €20.5 billion at 31 December 2020, and representing 43% of net assets at the end of December.

In the secured refinancing segment, private securitizations of car loans in the United Kingdom and leasing in Germany saw their revolving periods extended for an additional year.

The French subsidiary also carried out its first securitization of automotive Lease with Purchase Option (LOA) receivables in France for an amount of €991.5 million, split between €950 million in senior securities (including €200 million underwritten itself) and €41.5 million in subordinated notes.

A fixed-rate bond issue of €750 million over seven years was carried out in January.

These resources, plus, on the Europe scope, €4.5 billion in undrawn confirmed bank lines, €4.5 billion in collateral eligible for ECB monetary policy operations, and €7.4 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.

## 4.3.6 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 2020, the ratios calculated do not reveal any non-compliance with regulatory requirements.

## 4.3.7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTE 1 SEGMENT INFORMATION

## 1.1 SEGMENTATION BY MARKET

| *In millions of euros* | Customer | Dealer financing | Other | Total 12/2020 |
|---|---|---|---|---|
| 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 |

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

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** | **2020** | **42,635** | **34,128** | **8,507** |
| | 2019 | 45,413 | 34,488 | 10,925 |
| of which Germany | **2020** | **8,361** | **7,002** | **1,359** |
| | 2019 | 8,418 | 6,805 | 1,613 |
| of which Spain | **2020** | **4,120** | **3,492** | **628** |
| | 2019 | 4,797 | 3,762 | 1,035 |
| of which France | **2020** | **15,993** | **12,262** | **3,731** |
| | 2019 | 15,579 | 11,788 | 3,791 |
| of which Italy | **2020** | **5,620** | **4,873** | **747** |
| | 2019 | 6,297 | 4,946 | 1,351 |
| of which United-Kingdom | **2020** | **4,116** | **3,440** | **676** |
| | 2019 | 4,781 | 3,800 | 981 |
| of which other countries[(2)] | **2020** | **4,425** | **3,059** | **1,366** |
| | 2019 | 5,541 | 3,387 | 2,154 |
| **AFRICA, MIDDLE EAST, INDIA AND PACIFIC** | **2020** | **2,072** | **1,973** | **99** |
| | 2019 | 2,168 | 2,036 | 132 |
| of which South Korea | **2020** | **1,569** | **1,566** | **3** |
| | 2019 | 1,605 | 1,588 | 17 |
| **AMERICA** | **2020** | **2,157** | **1,879** | **278** |
| | 2019 | 3,145 | 2,572 | 573 |
| of which Argentina | **2020** | **123** | **75** | **48** |
| | 2019 | 189 | 97 | 92 |
| of which Brazil | **2020** | **1,498** | **1,311** | **187** |
| | 2019 | 2,470 | 2,038 | 432 |
| of which Colombia | **2020** | **536** | **493** | **43** |
| | 2019 | 486 | 437 | 49 |
| **EURASIA** | **2020** | **331** | **321** | **10** |
| | 2019 | 318 | 303 | 15 |
| **TOTAL RCI BANQUE GROUP** | **2020** | **47,195** | **38,301** | **8,894** |
| | 2019 | 51,044 | 39,399 | 11,645 |

*(1) Including operating lease business.*
*(2) Belgium, Netherlands, Switzerland, Austria, Scandinavian countries, Poland, Czech Republic, Hungary, Slovenia; Ireland, Portugal.*

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

# NOTE 2 CASH AND BALANCES AT CENTRAL BANKS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **CASH AND BALANCES AT CENTRAL BANKS** | **7,289** | **1,494** |
| Cash and balances at Central Banks | 7,289 | 1,494 |
| **TERM DEPOSITS AT CENTRAL BANKS** | **10** | **33** |
| Accrued interest | 10 | 33 |
| **TOTAL CASH AND BALANCES AT CENTRAL BANKS** | **7,299** | **1,527** |

## NOTE 3 DERIVATIVES

| In millions of euros | 12/2020 Assets | 12/2020 Liabilities | 12/2019 Assets | 12/2019 Liabilities |
|---|---|---|---|---|
| **FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNIZED AS DERIVATIVES HELD FOR TRADING PURPOSES** | **12** | **12** | **3** | **16** |
| Interest-rate derivatives | 3 | 4 | 1 | 5 |
| Currency derivatives | 9 | 8 | 2 | 11 |
| **FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECOGNIZED AS DERIVATIVES USED FOR HEDGING** | **218** | **72** | **174** | **76** |
| Interest-rate and currency derivatives: Fair value hedges | 211 | | 162 | 3 |
| Interest-rate derivatives: cash flow hedges | 7 | 72 | 12 | 73 |
| **TOTAL DERIVATIVES** | **230** | **84** | **177** | **92** |

"Other derivatives" include the credit risk adjustment of +€0.5 million at 31 December 2020, broken down into income of +€0.6 million in respect of DVA and an expense of -€0.1 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 2018** | **(10)** | **(3)** | **(7)** | |
| Changes in fair value recognized in equity | (19) | | | |
| Transfer to income statement | 9 | | | |
| **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)** | |

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 12/2020 | 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 | |

| *In millions of euros* | <1 year | 1 year to 5 years | >5 years | Total 12/2019 | Related parties |
|---|---|---|---|---|---|
| **HEDGING OF CURRENCY RISK** | | | | | |
| **Forward forex contracts** | | | | | |
| Sales | 1,192 | | | 1,192 | |
| Purchases | 1,178 | | | 1,178 | |
| **Spot forex transactions** | | | | | |
| Loans | 111 | | | 111 | |
| Borrowings | 111 | | | 111 | |
| **Currency swaps** | | | | | |
| Loans | 113 | 103 | | 216 | |
| Borrowings | 116 | 101 | | 217 | |
| **HEDGING OF INTEREST-RATE RISK** | | | | | |
| **Interest rate swaps** | | | | | |
| Lender | 6,969 | 10,603 | 2,000 | 19,572 | |
| Borrower | 6,969 | 10,603 | 2,000 | 19,572 | |

## NOTE 4 FINANCIAL ASSETS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | **649** | **1,364** |
| Government debt securities and similar | 404 | 1,066 |
| Bonds and other fixed income securities | 244 | 297 |
| Interests in companies controlled but not consolidated | 1 | 1 |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | **219** | **105** |
| Variable income securities | 25 | 22 |
| Bonds and other fixed income securities | 191 | 80 |
| Interests in companies controlled but not consolidated | 3 | 3 |
| **TOTAL FINANCIAL ASSETS(*)** | **868** | **1,469** |
| *(*) Of which related parties* | *4* | *4* |

## NOTE 5 AMOUNTS RECEIVABLE AT AMORTISED COST FROM CREDIT INSTITUTIONS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **CREDIT BALANCES IN SIGHT ACCOUNTS AT CREDIT INSTITUTIONS** | **1,010** | **1,110** |
| Ordinary accounts in debit | 968 | 1,073 |
| Overnight loans | 42 | 37 |
| **TERM DEPOSITS AT CREDIT INSTITUTIONS** | **222** | **169** |
| Term loans in Bucket 1 | 162 | 109 |
| Term loans in Bucket 2 | 60 | 60 |
| **TOTAL AMOUNTS RECEIVABLE FROM CREDIT INSTITUTIONS(*)** | **1,232** | **1,279** |
| *(*) Of which related parties* | *60* | *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 €670 million at year-end 2020 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* | 12/2020 | 12/2019 |
|---|---|---|
| **LOANS AND ADVANCES TO CUSTOMERS** | **46,222** | **50,582** |
| Customer finance transactions | 32,314 | 37,143 |
| Finance lease transactions | 13,908 | 13,439 |
| **OPERATING LEASE TRANSACTIONS** | **1,418** | **1,227** |
| **TOTAL CUSTOMER FINANCE TRANSACTIONS AND SIMILAR** | **47,640** | **51,809** |

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 €446 million at 31 December 2020, compared to €127 million at 31 December 2019. It was impaired in the amount of €78 million at 31 December 2020, compared with €47 million at 31 December 2019. The share of restructuring related to Covid-19 amounted to €66 million, mainly for Customers and was subject to impairment for a total of €18 million.

## 6.1 CUSTOMER FINANCE TRANSACTIONS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **LOANS AND ADVANCES TO CUSTOMERS** | **32,530** | **37,243** |
| Healthy factoring | 228 | 502 |
| Factoring with a significant increase in credit risk since initial recognition | 7 | 44 |
| Other healthy commercial receivables | 5 | 3 |
| Other healthy customer credit | 29,206 | 33,598 |
| Other customer credit with a significant increase in credit risk since initial recognition | 2,268 | 2,005 |
| Healthy ordinary accounts in debit | 337 | 617 |
| Defaulted receivables | 479 | 474 |
| **INTEREST RECEIVABLE ON CUSTOMER LOANS AND ADVANCES** | **49** | **91** |
| Other non-defaulted customer credit | 40 | 46 |
| Non-defaulted ordinary accounts | 5 | 41 |
| Defaulted receivables | 4 | 4 |
| **TOTAL OF ITEMS INCLUDED IN AMORTIZED COST – CUSTOMER LOANS AND ADVANCES** | **495** | **447** |
| Staggered handling charges and sundry expenses – Received from customers | (70) | (61) |
| Staggered contributions to sales incentives by manufacturer or dealers | (431) | (542) |
| Staggered fees paid for referral of business | 996 | 1,050 |
| **IMPAIRMENT ON LOANS AND ADVANCES TO CUSTOMERS** | **(760)** | **(638)** |
| Impairment on healthy receivables | (153) | (119) |
| Impairment on receivables with a significant increase in credit risk since initial recognition | (157) | (120) |
| Impairment on defaulted receivables | (359) | (320) |
| Impairment on residual value | (91) | (79) |
| **TOTAL CUSTOMER FINANCE TRANSACTIONS, NET** | **32,314** | **37,143** |

The securitization transactions were not intended to result in derecognition of the receivables assigned. The assigned receivables as well as the accrued interest and 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* | 12/2020 | 12/2019 |
|---|---|---|
| **FINANCE LEASE TRANSACTIONS** | **14,141** | **13,605** |
| Other healthy customer credit | 11,694 | 12,140 |
| Other customer credit with a significant increase in credit risk since initial recognition | 2,170 | 1,277 |
| Defaulted receivables | 277 | 188 |
| **ACCRUED INTEREST ON FINANCE LEASE TRANSACTIONS** | **20** | **14** |
| Other non-defaulted customer credit | 19 | 13 |
| Defaulted receivables | 1 | 1 |
| **TOTAL OF ITEMS INCLUDED IN AMORTIZED COST – FINANCE LEASES** | **47** | **24** |
| Staggered handling charges | 62 | 68 |
| Staggered contributions to sales incentives by manufacturer or dealers | (325) | (337) |
| Staggered fees paid for referral of business | 310 | 293 |
| **IMPAIRMENT ON FINANCE LEASES** | **(300)** | **(204)** |
| Impairment on healthy receivables | (46) | (33) |
| Impairment on receivables with a significant increase in credit risk since initial recognition | (111) | (55) |
| Impairment on defaulted receivables | (142) | (115) |
| Impairment on residual value | (1) | (1) |
| **TOTAL FINANCE LEASE TRANSACTIONS, NET** | **13,908** | **13,439** |

### 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 12/2020 |
|---|---|---|---|---|
| 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 |

| *In millions of euros* | <1 year | 1 year to 5 years | >5 years | Total 12/2019 |
|---|---|---|---|---|
| Finance leases – net investment | 5,889 | 7,704 | 50 | 13,643 |
| Finance leases – future interest receivable | 403 | 389 | 4 | 796 |
| **FINANCE LEASES – GROSS INVESTMENT** | **6,292** | **8,093** | **54** | **14,439** |
| Amount of residual value guaranteed to RCI Banque group | 3,514 | 4,372 | | 7,886 |
| *Of which amount guaranteed by related parties* | *2,292* | *2,138* | | *4,430* |
| Minimum payments receivable under the lease (excluding amounts guaranteed by related parties, as required by IAS 17) | 4,000 | 5,955 | 54 | 10,009 |

## 6.3 OPERATING LEASE TRANSACTIONS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **FIXED ASSET NET VALUE ON OPERATING LEASE TRANSACTIONS** | **1,426** | **1,251** |
| Gross value of tangible assets | 1,914 | 1,619 |
| Depreciation of tangible assets | (488) | (368) |
| **RECEIVABLES ON OPERATING LEASE TRANSACTIONS** | **18** | **16** |
| Non-defaulted receivables | 12 | 11 |
| Defaulted receivables | 9 | 8 |
| Income and charges to be staggered | (3) | (3) |
| **IMPAIRMENT ON OPERATING LEASES** | **(26)** | **(40)** |
| Impairment on non-defaulted receivables | | (1) |
| Impairment on defaulted receivables | (7) | (6) |
| Impairment on residual value | (19) | (33) |
| **TOTAL OPERATING LEASE TRANSACTIONS, NET(*)** | **1,418** | **1,227** |
| *(*) Of which related parties* | *(1)* | *(1)* |

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

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| 0-1 year | 119 | 225 |
| 1-5 years | 238 | 194 |
| +5 years | 73 | 39 |
| **TOTAL** | **430** | **458** |

## 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 2020, the RCI Banque group's maximum aggregate exposure to credit risk stood at €60,209 million against €59,549 million at 31 December 2019. 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* | 12/2020 | of which non-defaulted[1] | 12/2019 | of which non-defaulted[1] |
|---|---|---|---|---|
| Between 0 and 90 days | 608 | 381 | 713 | 503 |
| Between 90 and 180 days | 65 | | 70 | |
| Between 180 days and 1 year | 49 | | 44 | |
| More than one year | 67 | | 50 | |
| **RECEIVABLES DUE** | **789** | **381** | **877** | **503** |

*(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 2020, guarantees held on doubtful or delinquent receivables totaled €866 million, against €821 million at 31 December 2019.

## 6.5 RESIDUAL VALUES OF RISK CARRIED BY RCI BANQUE

The total risk on residual values carried by the RCI Banque group amounted to €1,810 million at 31 December 2020 against €1,935 million at 31 December 2019. A provision was made in the amount of €98 million at 31 December 2020, for the residual value risk borne for vehicles (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 12/2020 |
|---|---|---|---|---|
| **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 initial recognition | (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* |

| *In millions of euros* | Customer | Dealer financing | Other | Total 12/2019 |
|---|---|---|---|---|
| **GROSS VALUE** | **40,178** | **11,747** | **766** | **52,691** |
| Healthy receivables | 36,548 | 11,372 | 763 | 48,683 |
| *On % of total receivables* | *91.0%* | *96.8%* | *99.6%* | *92.4%* |
| Receivables with a significant increase in credit risk since initial recognition | 3,034 | 299 | | 3,333 |
| *On % of total receivables* | *7.6%* | *2.5%* | | *6.3%* |
| Defaulted receivables | 596 | 76 | 3 | 675 |
| *On % of total receivables* | *1.5%* | *0.6%* | *0.4%* | *1.3%* |
| **IMPAIRMENT ALLOWANCE** | **(779)** | **(102)** | **(1)** | **(882)** |
| Impairment on healthy receivables | (207) | (58) | (1) | (266) |
| *On % of total impairment* | *26.6%* | *56.9%* | *100.0%* | *30.2%* |
| Impairment on receivables with a significant increase in credit risk since initial recognition | (165) | (10) | | (175) |
| *On % of total impairment* | *21.2%* | *9.8%* | | *19.8%* |
| Impairment on defaulted receivables | (407) | (34) | | (441) |
| *On % of total impairment* | *52.2%* | *33.3%* | | *50.0%* |
| ***Coverage rate*** | ***1.9%*** | ***0.9%*** | ***0.1%*** | ***1.7%*** |
| *Healthy receivables* | *0.6%* | *0.5%* | *0.1%* | *0.5%* |
| *Receivables with a significant increase in credit risk since initial recognition* | *5.4%* | *3.3%* | | *5.3%* |
| *Defaulted receivables* | *68.3%* | *44.7%* | | *65.3%* |
| **NET VALUE(*)** | **39,399** | **11,645** | **765** | **51,809** |
| *(*) Of which: related parties (excluding participation in incentives and fees paid)* | *24* | *874* | *589* | *1,487* |

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

## 7.1 CHANGE OF CUSTOMER FINANCE TRANSACTIONS

| *In millions of euros* | 12/2019 | Increase(1) | Reclass.(2) | Decrease(3) | 12/2020 |
|---|---|---|---|---|---|
| Healthy receivables | 48,683 | 55,622 | (2,261) | (58,541) | 43,503 |
| Receivables with a significant increase in credit risk since initial recognition | 3,333 | | 1,961 | (841) | 4,453 |
| Defaulted receivables | 675 | | 300 | (205) | 770 |
| **CUSTOMER FINANCE TRANSACTIONS (GV)** | **52,691** | **55,622** | | **(59,587)** | **48,726** |

*(1) Increase = New production.*
*(2) Reclassification = Transfert between Buckets.*
*(3) Decrease = Reimbursement, disposals or writte-off.*

## 7.2 CHANGE OF IMPAIRMENTS OF CUSTOMER FINANCE TRANSACTIONS

| *In millions of euros* | 12/2019 | Increase(1) | Decrease(2) | Variations(3) | Other(4) | 12/2020 |
|---|---|---|---|---|---|---|
| Impairment on healthy receivables(*) | 266 | 156 | (114) | 23 | (21) | 310 |
| Impairment on receivables with a significant increase in credit risk since initial recognition | 175 | 41 | (42) | 106 | (12) | 268 |
| Impairment on defaulted receivables | 441 | 56 | (199) | 224 | (14) | 508 |
| **IMPAIRMENTS OF CUSTOMER FINANCE TRANSACTIONS** | **882** | **253** | **(355)** | **353** | **(47)** | **1,086** |

*(*) Impairment on performing receivables includes impairments on residual values (vehicles and batteries) for an amount of €111 million as at 31 December 2020, compared to €113 million at 31 December 2019.*
*(1) Increase = Allowance due to new production.*
*(2) Decrease = Reversal of allowance due to reimbursement, disposals or writte-off.*
*(3) Variations = Variation due to risk criteria adjustments (PD, LGD, ECL, Bucket…).*
*(4) Other = Reclassification, currency translation effects, changes in scope of consolidation.*

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.

In customer activity, the economic consequences of the health crisis contributed to the increase in B3 outstandings (+18.1% compared to December 2019), leading to an increase in provisions of €67 million with a provisioning rate down slightly to 67.5% (compared to 68.3% at the end of December 2019).

The provisioning rate of B2 customer outstandings increased from 5.4% to 6.0% compared to the end of December 2019, following the deterioration of risk parameters, in particular LGDs, which were negatively impacted by the repercussions of lockdown policies on the recovery process (inability to recover vehicles in particular) and on the economies of the affected countries. This resulted in an increase in B2 provisions of €86 million. For outstanding B2 customer loans, reclassifications were made to reflect the effects of the Covid-19 crisis, largely explaining the increase of 37% observed in this Bucket.

## NOTE 8 ADJUSTMENT ACCOUNTS & MISCELLANEOUS ASSETS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **TAX RECEIVABLES** | **353** | **432** |
| Current tax assets | 26 | 16 |
| Deferred tax assets | 188 | 171 |
| Tax receivables other than on current income tax | 139 | 245 |
| **ADJUSTMENT ACCOUNTS AND OTHER ASSETS** | **973** | **1,069** |
| Other sundry debtors | 408 | 451 |
| Adjustment accounts – Assets | 57 | 59 |
| Other assets | 2 | 1 |
| Items received on collections | 361 | 373 |
| Reinsurer part in technical provisions | 145 | 185 |
| **TOTAL ADJUSTMENT ACCOUNTS – ASSETS AND OTHER ASSETS(*)** | **1,326** | **1,501** |
| *(*) Of which related parties* | *220* | *259* |

Deferred tax assets are analysed in Note 32.

Changes in the share of reinsurers in the technical reserves are analyzed as follows:

### In the part of reinsurance in the technical provisions

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| Reinsurer part in technical provisions at the beginning of period | 185 | 202 |
| Change of the technical provisions chargeable to reinsurers | (28) | (5) |
| Claims recovered from reinsurers | (12) | (12) |
| **REINSURER PART IN TECHNICAL PROVISIONS AT THE END OF PERIOD** | **145** | **185** |

## NOTE 9 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

| | 12/2020 | | 12/2019 | |
|---|---|---|---|---|
| *In millions of euros* | Share of net assets | Net income | Share of net assets | Net income |
| Orfin Finansman Anonim Sirketi | 22 | 4 | 25 | 6 |
| RN SF B.V. | 76 | 13 | 84 | 13 |
| Nissan Renault Financial Services India Private Limited | 31 | 2 | 33 | 2 |
| **TOTAL INTERESTS IN ASSOCIATES** | **129** | **19** | **142** | **21** |

## NOTE 10 TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **INTANGIBLE ASSETS: NET** | **7** | **6** |
| Gross value | 41 | 39 |
| Accumulated amortization and impairment | (34) | (33) |
| **PROPERTY, PLANT AND EQUIPMENT: NET** | **76** | **86** |
| Gross value | 185 | 180 |
| Accumulated depreciation and impairment | (109) | (94) |
| **TOTAL TANGIBLE AND INTANGIBLE NON-CURRENT ASSETS** | **83** | **92** |

Property, plant and equipment includes real estate leases activated under IFRS 16 (see section 4.3.3 “Changes in accounting policies”).

## NOTE 11 GOODWILL

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| Argentina | 1 | 1 |
| United Kingdom | 34 | 36 |
| Germany | 12 | 12 |
| Italy | 9 | 9 |
| South Korea | 19 | 20 |
| Czech Republic | 4 | 6 |
| **TOTAL GOODWILL FROM ACQUISITIONS BY COUNTRY** | **79** | **84** |

Impairment tests were performed on all goodwill (using the methods and assumptions described in Note 4.3.3.2). These tests revealed an impairment of €2 million on goodwill held on RCI Financial Services, S.r.o, in the Czech Republic at 31 December 2020.

## NOTE 12 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS & DEBT SECURITIES

### 12.1 CENTRAL BANKS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| Term borrowings | 2,250 | 2,700 |
| **TOTAL CENTRAL BANKS** | **2,250** | **2,700** |

At 31 December 2020, the book value of the collateral presented to the Bank of France (3G) amounted to €7,465 million, that means €6,675 million in securities issued by securitization vehicles, €104 million in eligible bond securities, and €686 million 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.

These items have been recognized at amortized cost. During 2020, the interest rate applied to this financing amounted to -0.50% and was calculated on the basis of the average rate of the ECB’s main refinancing operations (MRO) (currently at 0%) less a margin of 0.50%. The interest rate will be subject to future adjustments depending on the achievement of growth targets for financing granted to the economy.

## 12.2 AMOUNTS PAYABLE TO CREDIT INSTITUTIONS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **SIGHT ACCOUNTS PAYABLE TO CREDIT INSTITUTIONS** | **188** | **135** |
| Ordinary accounts | 12 | 11 |
| Overnight borrowings | 4 | 7 |
| Other amounts owed | 172 | 117 |
| **TERM ACCOUNTS PAYABLE TO CREDIT INSTITUTIONS** | **2,114** | **2,645** |
| Term borrowings | 2,041 | 2,555 |
| Accrued interest | 73 | 90 |
| **TOTAL LIABILITIES TO CREDIT INSTITUTIONS** | **2,302** | **2,780** |

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* | 12/2020 | 12/2019 |
|---|---|---|
| **AMOUNTS PAYABLE TO CUSTOMERS** | **21,415** | **18,512** |
| Ordinary accounts in credit | 225 | 124 |
| Term accounts in credit | 703 | 700 |
| Ordinary saving accounts | 14,703 | 12,986 |
| Term deposits (retail) | 5,784 | 4,702 |
| **OTHER AMOUNTS PAYABLE TO CUSTOMERS AND ACCRUED INTEREST** | **125** | **93** |
| Other amounts payable to customers | 86 | 61 |
| Accrued interest on ordinary accounts in credit | 18 | 9 |
| Accrued interest on ordinary saving accounts | 11 | 17 |
| Accrued interest on customers term accounts | 10 | 6 |
| **TOTAL AMOUNTS PAYABLE TO CUSTOMERS(*)** | **21,540** | **18,605** |
| *(*) Of which related parties* | *769* | *728* |

Term accounts in credit include a €700 million 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.

## 12.4 DEBT SECURITIES

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **NEGOTIABLE DEBT SECURITIES(1)** | **1,172** | **1,948** |
| Certificates of deposit | 944 | 1,681 |
| Commercial paper and similar | | 29 |
| French MTNs and similar | 220 | 220 |
| Accrued interest on negotiable debt securities | 8 | 18 |
| **OTHER DEBT SECURITIES(2)** | **3,259** | **3,243** |
| Other debt securities | 3,258 | 3,242 |
| Accrued interest on other debt securities | 1 | 1 |
| **BONDS AND SIMILAR** | **17,560** | **18,825** |
| Bonds | 17,439 | 18,699 |
| Accrued interest on bonds | 121 | 126 |
| **TOTAL DEBT SECURITIES(*)** | **21,991** | **24,016** |
| *(*) Of which related parties* | | *78* |

*(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* | 12/2020 | 12/2019 |
|---|---|---|
| **LIABILITIES VALUED AT AMORTIZED COST – EXCLUDING FAIR VALUE HEDGE** | **39,339** | **39,427** |
| Central Banks | 2,250 | 2,700 |
| Amounts payable to credit institutions | 2,302 | 2,780 |
| Amounts payable to customers | 21,540 | 18,605 |
| Debt securities | 13,247 | 15,342 |
| **LIABILITIES VALUED AT AMORTIZED COST – FAIR VALUE HEDGE** | **8,744** | **8,674** |
| Debt securities | 8,744 | 8,674 |
| **TOTAL FINANCIAL DEBTS** | **48,083** | **48,101** |

## 12.6 BREAKDOWN OF FINANCIAL LIABILITIES BY RATE TYPE BEFORE DERIVATIVES

| *In millions of euros* | Variable | Fixed | 12/2020 |
|---|---|---|---|
| Central Banks | 1,750 | 500 | 2,250 |
| Amounts payable to credit institutions | 898 | 1,404 | 2,302 |
| Amounts payable to customers | 15,735 | 5,805 | 21,540 |
| Negotiable debt securities | 452 | 720 | 1,172 |
| Other debt securities | 3,248 | 11 | 3,259 |
| Bonds | 3,945 | 13,615 | 17,560 |
| **TOTAL FINANCIAL LIABILITIES BY RATE** | **26,028** | **22,055** | **48,083** |

| *In millions of euros* | Variable | Fixed | 12/2019 |
|---|---|---|---|
| Central Banks | | 2,700 | 2,700 |
| Amounts payable to credit institutions | 1,006 | 1,774 | 2,780 |
| Amounts payable to customers | 11,169 | 7,436 | 18,605 |
| Negotiable debt securities | 674 | 1,274 | 1,948 |
| Other debt securities | 3,241 | 2 | 3,243 |
| Bonds | 5,016 | 13,809 | 18,825 |
| **TOTAL FINANCIAL LIABILITIES BY RATE** | **21,106** | **26,995** | **48,101** |

## 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 |
|---|---|---|---|---|---|---|---|---|---|
| Originator | DIAC SA | DIAC SA | DIAC SA | DIAC SA | DIAC SA | RCI Banque Succursale Italiana | RCI Bank Niederlassung | RCI Bank Niederlassung | RCI Bank Niederlassung |
| 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 | Receivables independant dealers | 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 DFP Germany 2017 | Cars Alliance Auto Loans Germany V 2019-1 |
| Closing date | May 2012 | April 2018 | July 2013 | October 2020 | October 2020 | July 2015 | March 2014 | July 2017 | May 2019 |
| Legal maturity date | August 2030 | October 2029 | July 2028 | October 2036 | October 2038 | December 2031 | March 2031 | June 2026 | August 2031 |
| Initial purchase of receivables | €715 million | €799 million | €1,020 million | €1,057 million | €533 million | €1,234 million | €674 million | €852 million | €1,107 million |
| Credit enhancement as at the closing date | Cash reserve for 1%<br>Over-collateralization of receivables 13.3% | Cash reserve for 1%<br>Over-collateralization of receivables 8% | Cash reserve for 1%<br>Over-collateralization of receivables 12.5% | Cash reserve for 1%<br>Over-collateralization of receivables 9% | Cash reserve for 1%<br>Over-collateralization of receivables 11.05% | Cash reserve for 1%<br>Over-collateralization of receivables 14.9% | Cash reserve for 1%<br>Over-collateralization of receivables 8% | Cash reserve for 1.5%<br>Over-collateralization of receivables 20.75% | Cash reserve for 1%<br>Over-collateralization of receivables 7.5% |
| Receivables purchased as of 31 December 2020 | €1,125 million | €338 million | €1,289 million | €1,036 million | €612 million | €1,380 million | €2,248 million | €782 million | €909 million |
| Notes in issue as at 31 December 2020 (including any units held by the RCI Banque group) | Class A<br>Rating: AAA<br>€1,001 million<br>Class B<br>Non rated<br>€153 million | Class A<br>Rating: AAA<br>€276 million<br>Class B<br>Rating: AA<br>€23 million<br>Class C<br>Non rated<br>€38 million | Class A<br>Rating: AA<br>€1,000 million | Class A<br>Rating: AAA<br>€950 million<br>Class B<br>Rating: AA<br>€42 million<br>Class C<br>Non rated<br>€53 million | Class A<br>Rating: AAA<br>€549 million<br>Class B<br>Non rated<br>€68 million | Class A<br>Rating: AA<br>€1,268 million<br>Class J<br>Non rated<br>€238 million | Class A<br>Rating: AAA<br>€1,977 million<br>Class B<br>Non rated<br>€173 million | Class A<br>Rating: AAA<br>€675 million | Class A<br>Rating: AAA<br>€803 million<br>Class B<br>Rating: AA<br>€26 million<br>Class C<br>Non rated<br>€51 million |
| Period | Revolving | Amortizing | Revolving | Revolving | Revolving | Amortizing | Revolving | Revolving | Amortizing |
| Transaction's nature | Retained | Market | Retained | Market | Retained | Retained | Retained | Retained | Market |

In 2020, the RCI Banque group carried out two securitization transactions in public format in France based on lease installments.

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 2020, the amount of financing obtained through securitization by conduit totaled €1,342 million. The amount of financing obtained through securitization transactions in public format placed on the markets totaled €2,119 million.

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 2020, the amount of the sales financing receivables thus maintained on the balance sheet totaled €11,790 million (€10,508 million at 31 December 2019), as follows:

- securitization transactions placed on the market: €2,283 million;
- retained securitization transactions: €7,436 million;
- private securitization transactions: €2,072 million.

The fair value of these receivables is €11,743 million at 31 December 2020.

Liabilities of €3,259 million have been booked under "Other debt securities" corresponding to the securities issued during securitization transactions. The fair value of these liabilities is €2,916 million at 31 December 2020.

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* | 12/2020 | 12/2019 |
|---|---|---|
| **TAXES PAYABLE** | **754** | **750** |
| Current tax liabilities | 143 | 129 |
| Deferred tax liabilities | 587 | 588 |
| Taxes payable other than on current income tax | 24 | 33 |
| **ADJUSTMENT ACCOUNTS AND OTHER AMOUNTS PAYABLE** | **2,151** | **1,895** |
| Social security and employee-related liabilities | 58 | 57 |
| Other sundry creditors | 968 | 916 |
| Adjustment accounts – liabilities | 586 | 562 |
| Accrued interest on other sundry creditors | 454 | 354 |
| Collection accounts | 85 | 6 |
| **TOTAL ADJUSTMENT ACCOUNTS – LIABILITIES AND OTHER LIABILITIES(*)** | **2,905** | **2,645** |
| *(*) Of which related parties* | *247* | *145* |

Deferred tax assets are analyzed in Note 32.

The item other sundry creditors includes debts on leased assets activated under IFRS 16. 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

| | | | Reversals | | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | 12/2019 | Charge | Used | Not Used | Other(*) | 12/2020 |
| **PROVISIONS ON BANKING OPERATIONS** | **525** | **290** | **(36)** | **(268)** | **(5)** | **506** |
| Provisions for signature commitments (**) | 6 | 18 | (1) | (9) | (2) | 12 |
| Provisions for litigation risks | 9 | 3 | | (3) | (2) | 7 |
| Insurance technical provisions | 488 | 260 | (34) | (252) | (1) | 461 |
| Other provisions | 22 | 9 | (1) | (4) | | 26 |
| **PROVISIONS ON NON-BANKING OPERATIONS** | **148** | **22** | **(13)** | **(4)** | **(8)** | **145** |
| Provisions for pensions liabilities and related | 63 | 5 | (5) | (1) | 4 | 66 |
| Provisions for restructuring | 14 | 14 | (6) | | | 22 |
| Provisions for tax and litigation risks | 67 | 2 | (2) | (2) | (12) | 53 |
| Other | 4 | 1 | | (1) | | 4 |
| **TOTAL PROVISIONS** | **673** | **312** | **(49)** | **(272)** | **(13)** | **651** |

*(*) 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 €461 million at end-December 2020.

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

Provisions for litigation risks on banking operations include the provision for the German branch (RCI Banque S.A. Niederlassung Deutschland), for €347 thousand at end-December 2020 for unfair administration/processing fees and €5,013 thousand relating to provisions for risks concerning the customer's right to rescind the contract (Joker credit). 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.

#### Key assumptions

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

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

### Provisions for pension and other post-employment benefits

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| France | 41 | 41 |
| Rest of world | 25 | 22 |
| **TOTAL PROVISIONS** | **66** | **63** |

### Subsidiaries without a pension fund

| | France | |
|---|---|---|
| **Main actuarial assumptions** | 12/2020 | 12/2019 |
| Retirement age | 67 years | 67 years |
| Salary increases | 2.20% | 2.06% |
| Financial discount rate | 0.60% | 0.68% |
| Starting rate | 6.53% | 6.21% |

### Subsidiaries with a pension fund

| | United Kingdom | | Switzerland | | Netherlands | |
|---|---|---|---|---|---|---|
| **Main actuarial assumptions** | 12/2020 | 12/2019 | 12/2020 | 12/2019 | 12/2020 | 12/2019 |
| Average duration | 21 years | 23 years | 23 years | 23 years | 21 years | 18 years |
| Rate of wage indexation | | | 1.00% | 1.00% | 1.00% | 1.40% |
| Financial discount rate | 1.40% | 2.10% | 0.30% | 0.30% | 0.80% | 0.80% |
| Actual return rate of hedge assets | 7.84% | 15.52% | 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** | **115** | **52** | | **63** |
| Current service cost | 4 | | | 4 |
| Past service cost and gain/loss on settlement | (1) | | | (1) |
| Net interest on the net liability (asset) | 1 | 1 | | |
| **EXPENSE (INCOME) RECORDED IN THE INCOME STATEMENT** | **4** | **1** | | **3** |
| Actuarial gains and losses on the obligation resulting from changes in financial assumptions | 6 | | | 6 |
| Net return on fund asset (not included in net interest above) | | 1 | | (1) |
| Actuarial gains and losses on the obligation resulting from experience adjustments | (2) | | | (2) |
| **EXPENSE (INCOME) RECORDED IN OTHER COMPONENTS OF COMPREHENSIVE INCOME** | **4** | **1** | | **3** |
| Employer's contributions to funds | | 1 | | (1) |
| Benefits paid | (4) | | | (4) |
| Effect of changes in exchange rates | (1) | (3) | | 2 |
| **BALANCE AT THE CLOSING DATE OF THE PERIOD** | **118** | **52** | | **66** |

### Nature of invested funds

| | 12/2020 | | 12/2019 | |
|---|---|---|---|---|
| **In millions of euros** | Quoted on an active market | Not quoted on an active market | Quoted on an active market | Not quoted on an active market |
| Shares | 18 | | 16 | |
| Bonds | 30 | | 31 | |
| Others | 4 | | 5 | |
| **TOTAL** | **52** | | **52** | |

## NOTE 16 IMPAIRMENTS ALLOWANCES TO COVER COUNTERPARTY RISK

| | | | Reversals | | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | 12/2019 | Charge | Used | Not Used | Other(*) | 12/2020 |
| **IMPAIRMENTS ON BANKING OPERATIONS** | **882** | **727** | **(316)** | **(158)** | **(49)** | **1,086** |
| Credit institutions transactions | | 2 | | | (2) | |
| Customer finance transactions | 882 | 725 | (316) | (158) | (47) | 1,086 |
| *Ow impairment on healthy receivables* | *266* | *248* | *(78)* | *(105)* | *(21)* | *310* |
| *Ow impairment on receivables with a significant increase in credit risk since initial recognition* | *175* | *222* | *(89)* | *(28)* | *(12)* | *268* |
| *Ow Impairment on defaulted receivables* | *441* | *255* | *(149)* | *(25)* | *(14)* | *508* |
| **IMPAIRMENT ON NON-BANKING OPERATIONS** | **4** | **1** | **(2)** | | | **3** |
| Impairment for signature commitments | 4 | 1 | (2) | | | 3 |
| **IMPAIRMENT ON BANKING OPERATIONS** | **15** | **21** | **(1)** | **(12)** | **(4)** | **19** |
| Provisions for signature commitments | 6 | 18 | (1) | (9) | (2) | 12 |
| Provisions for litigation risks | 9 | 3 | | (3) | (2) | 7 |
| **TOTAL PROVISIONS TO COVER COUNTERPARTY RISK** | **901** | **749** | **(319)** | **(170)** | **(53)** | **1,108** |

*(*) 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* | 12/2020 | 12/2019 |
|---|---|---|
| **LIABILITIES MEASURED AT AMORTIZED COST** | **876** | **853** |
| Subordinated securities | 856 | 850 |
| Accrued interest on subordinated securities | 20 | 3 |
| **HEDGED LIABILITIES MEASURED AT FAIR VALUE** | **14** | **14** |
| Participating loan stocks | 14 | 14 |
| **TOTAL SUBORDINATED LIABILITIES** | **890** | **867** |

Participating 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 12/2020 |
|---|---|---|---|---|---|
| **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 |

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

Central Bank borrowings correspond to the 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 12/2020 |
|---|---|---|---|---|---|
| **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** |

| *In millions of euros* | Up to 3 months | 3 months to 1 year | 1 year to 5 years | >5 years | Total 12/2019 |
|---|---|---|---|---|---|
| **FINANCIAL LIABILITIES** | **16,694** | **8,488** | **20,521** | **4,263** | **49,966** |
| Central Banks | 200 | 2,000 | 500 | | 2,700 |
| Derivatives | 1 | 11 | 29 | | 41 |
| Amounts payable to credit institutions | 580 | 848 | 1,263 | | 2,691 |
| Amounts payable to customers | 14,280 | 1,480 | 2,112 | 700 | 18,572 |
| Debt securities | 1,505 | 3,798 | 15,873 | 2,617 | 23,793 |
| Subordinated debt | 3 | | | 860 | 863 |
| Future interest payable | 125 | 351 | 744 | 86 | 1,306 |
| **FINANCING AND GUARANTEE COMMITMENTS** | **2,488** | **39** | **30** | **129** | **2,686** |
| **TOTAL BREAKDOWN OF FUTURE CONTRACTUAL CASH FLOWS BY MATURITY** | **19,182** | **8,527** | **20,551** | **4,392** | **52,652** |

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 2020.

# 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

| 31/12/2020 *(in millions of euros)* | Book Value | Fair Value | | | | |
|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | FV(*) | Difference(*) |
| **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.*

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.

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

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

### Assumptions and methods used

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

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

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

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

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

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

The main assumptions and valuation methods used are the following:

#### Financial assets

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

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

#### Loans and advances to customers

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

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

#### Financial liabilities

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

| 31/12/2020 *(in millions of euros)* | Gross book value before agreement | Netted gross amounts | Net amount in balance sheet | Non compensated amount: Financial instruments on the liability | Non compensated amount: Guarantees on the liability | Non compensated amount: Off-balance sheet guarantees | Net Exposure |
|---|---|---|---|---|---|---|---|
| **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 €1,038 million for the Renault Retail Group, whose exposures are hedged for up to €696 million by a cash warrant agreement given by the Renault manufacturer (see Note 12.3), and €193 million for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €110 million by pledge of letras de cambio (bills of exchange) subscribed by the dealers.*

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

(1) *The gross book value of dealer financing receivables breaks down into €722 million for the Renault Retail Group, whose exposures are hedged for up to €692 million by a cash warrant agreement given by the Renault manufacturer (see Note 12.3), and €441 million for dealers financed by Banco RCI Brasil S.A., whose exposures are hedged for up to €197 million by pledge of letras de cambio (bills of exchange) subscribed by the dealers.*

## NOTE 22 COMMITMENTS GIVEN

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **FINANCING COMMITMENTS** | **2,420** | **2,553** |
| Commitments to credit institutions | 1 | 4 |
| Commitments to customers | 2,419 | 2,549 |
| **GUARANTEE COMMITMENTS** | **193** | **216** |
| Commitments to credit institutions | 26 | 57 |
| Customer guarantees | 167 | 159 |
| **OTHER COMMITMENTS GIVEN** | **23** | **29** |
| Commitments given for equipment leases and real estate leases | 23 | 29 |
| **TOTAL COMMITMENTS GIVEN(*)** | **2,636** | **2,798** |
| *(*) Of which related parties* | *7* | *7* |

## NOTE 23 COMMITMENTS RECEIVED

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **FINANCING COMMITMENTS** | **4,811** | **4,847** |
| Commitments from credit institutions | 4,811 | 4,847 |
| **GUARANTEE COMMITMENTS** | **16,355** | **16,313** |
| Guarantees received from credit institutions | 167 | 228 |
| Guarantees from customers | 6,058 | 6,741 |
| Commitments to take back leased vehicles at the end of the contract | 10,130 | 9,344 |
| **OTHER COMMITMENTS RECEIVED** | **16** | **25** |
| Other commitments received | 16 | 25 |
| **TOTAL COMMITMENTS RECEIVED(*)** | **21,182** | **21,185** |
| *(*) Of which related parties* | *5,558* | *5,408* |

At 31 December 2020, RCI Banque had €4,811 million in unused confirmed lines of credit, as well as broadly diversified short-term and medium-term issuance programs. It also held €4,511 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

| | Balance sheet | | Off balance sheet | | Net position | | |
|---|---|---|---|---|---|---|---|
| **12/2020** *(in millions of euros)* | 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** |

| 12/2019 *(in millions of euros)* | Balance sheet Long position | Balance sheet Short position | Off balance sheet Long position | Off balance sheet Short position | Net position Total | Of which monetary | Of which structural |
|---|---|---|---|---|---|---|---|
| Position USD | | (29) | 29 | | | | |
| Position GBP | 323 | | 19 | | 342 | | 342 |
| Position CHF | 285 | | | (281) | 4 | | 4 |
| Position CZK | 90 | | | (73) | 17 | | 17 |
| Position ARS | 2 | | | | 2 | | 2 |
| Position BRL | 145 | | | | 145 | 1 | 144 |
| Position PLN | 486 | | | (472) | 14 | 1 | 13 |
| Position HUF | 6 | | | | 6 | | 6 |
| Position RON | 25 | | | (23) | 2 | 2 | |
| Position KRW | 165 | | | | 165 | | 165 |
| Position MAD | 30 | | | | 30 | 3 | 27 |
| Position DKK | 127 | | | (127) | | | |
| Position TRY | 12 | | | | 12 | | 12 |
| Position SEK | 135 | | | (135) | | | |
| Position HRK | 4 | | | (4) | | | |
| Position INR | 27 | | | | 27 | | 27 |
| Position COP | 33 | | | | 33 | | 33 |
| **TOTAL EXPOSURE** | **1,895** | **(29)** | **48** | **(1,115)** | **799** | **7** | **792** |

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

## NOTE 25 INTEREST AND SIMILAR INCOME

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **INTERESTS AND SIMILAR INCOMES** | **2,728** | **2,966** |
| Transactions with credit institutions | 24 | 34 |
| Customer finance transactions | 1,957 | 2,173 |
| Finance lease transactions | 675 | 671 |
| Accrued interest due and payable on hedging instruments | 60 | 72 |
| Accrued interest due and payable on Financial assets | 12 | 16 |
| **STAGGERED FEES PAID FOR REFERRAL OF BUSINESS:** | **(800)** | **(770)** |
| Customer Loans | (619) | (614) |
| Finance leases | (181) | (156) |
| **TOTAL INTERESTS AND SIMILAR INCOME(*)** | **1,928** | **2,196** |
| *(*) Of which related parties* | *661* | *740* |

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* | 12/2020 | 12/2019 |
|---|---|---|
| Transactions with credit institutions | (196) | (203) |
| Customer finance transactions | (119) | (130) |
| Finance lease transactions | (6) | (2) |
| Accrued interest due and payable on hedging instruments | (51) | (54) |
| Expenses on debt securities | (260) | (340) |
| Other interest and similar expenses | (11) | (15) |
| **TOTAL INTEREST AND SIMILAR EXPENSES(*)** | **(643)** | **(744)** |

*(*) Of which related parties* *(4)*

## NOTE 27 FEES AND COMMISSIONS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **FEES AND COMMISSIONS INCOME** | **609** | **605** |
| Commissions | 20 | 19 |
| Fees | 17 | 21 |
| Commissions from service activities | 82 | 82 |
| Insurance brokerage commission | 57 | 65 |
| Incidental insurance commissions from finance contracts | 230 | 226 |
| Incidental maintenance commissions from finance contracts | 136 | 129 |
| Other incidental commissions from finance contracts | 67 | 63 |
| **FEES AND COMMISSIONS EXPENSES** | **(250)** | **(234)** |
| Commissions | (26) | (22) |
| Commissions on service activities | (64) | (57) |
| Incidental insurance commissions from finance contracts | (31) | (29) |
| Incidental maintenance commissions from finance contracts | (86) | (86) |
| Other incidental commissions from finance contracts | (43) | (40) |
| **TOTAL NET COMMISSIONS(*)** | **359** | **371** |
| *(*) Of which related parties* | *13* | *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* | 12/2020 | 12/2019 |
|---|---|---|
| **NET GAINS (LOSSES) ON DERIVATIVES CLASSIFIED AS TRANSACTIONS IN TRADING SECURITIES** | **1** | **(12)** |
| Net gains/losses on forex transactions | (9) | 17 |
| Net gains/losses on derivatives classified in trading securities | 5 | (22) |
| Net gains and losses on equity securities at fair value | 1 | (2) |
| Fair value hedges: change in value of hedging instruments | 52 | 76 |
| Fair value hedges: change in value of hedged items | (49) | (81) |
| 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** | **6** | **34** |
| Dividends from non-consolidated holdings | 8 | 6 |
| Gains and losses on assets at fair value through profit and loss | (2) | 28 |
| **TOTAL NET GAINS OR LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE(*)** | **7** | **22** |
| *(*) Of which related parties* | *8* | *6* |

In 2019, the item "Gains and losses on assets in fair value by profit or loss" included the reversal of net impairment of equity interests sold (namely iCabbi, Flit technologies, Class & co, Marcel, RCI Mobility) for €34.1 million (of which €55.1 million of impairment reversals).

## NOTE 29 NET INCOME OR EXPENSE OF OTHER ACTIVITIES

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **OTHER INCOME FROM BANKING OPERATIONS** | **1,027** | **1,004** |
| Income from insurance activities | 432 | 472 |
| Income related to non-doubtful lease contracts | 331 | 294 |
| *I of which reversal of impairment on residual values* | *65* | *27* |
| Income from operating lease transactions | 243 | 215 |
| Other income from banking operations | 21 | 23 |
| *I of which reversal of charge to reserve for banking risks* | *6* | *8* |
| **OTHER EXPENSES OF BANKING OPERATIONS** | **(726)** | **(758)** |
| Cost of insurance activities | (126) | (182) |
| Expenses related to non-doubtful lease contracts | (307) | (305) |
| *I of which allowance for impairment on residual values* | *(74)* | *(36)* |
| Distribution costs not treatable as interest expense | (86) | (93) |
| Expenses related to operating lease transactions | (180) | (154) |
| Other expenses of banking operations | (27) | (24) |
| *I of which charge to reserve for banking risks* | *(9)* | *(8)* |
| **OTHER OPERATING INCOME AND EXPENSES** | **3** | **5** |
| Other operating income | 12 | 24 |
| Other operating expenses | (9) | (19) |
| **TOTAL NET INCOME (EXPENSE) OF OTHER ACTIVITIES(*)** | **304** | **251** |
| *(*) Of which related parties* | *(4)* | *(10)* |

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* | 12/2020 | 12/2019 |
|---|---|---|
| Gross premiums issued | 354 | 377 |
| Net charge of provisions for technical provisions | 26 | (28) |
| Claims paid | (34) | (32) |
| Claims recovered from reinsurers | 12 | 12 |
| Others reinsurance charges and incomes | (48) | (37) |
| **TOTAL NET INCOME OF INSURANCE ACTIVITIES** | **310** | **292** |

## NOTE 30 GENERAL OPERATING EXPENSES AND PERSONNAL COSTS

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **PERSONNEL COSTS** | **(309)** | **(308)** |
| Employee pay | (200) | (202) |
| Expenses of post-retirement benefits – Defined-contribution pension plan | (17) | (18) |
| Expenses of post-retirement benefits – Defined-benefit pension plan | 1 | (1) |
| Other employee-related expenses | (67) | (71) |
| Other personnel expenses | (26) | (16) |
| **OTHER ADMINISTRATIVE EXPENSES** | **(272)** | **(277)** |
| Taxes other than current income tax | (43) | (43) |
| Rental charges | (8) | (7) |
| Other administrative expenses | (221) | (227) |
| **TOTAL GENERAL OPERATING EXPENSES(*)** | **(581)** | **(585)** |
| *(*) Of which related parties* | *2* | *(1)* |

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

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

| *Average number of employees* | 12/2020 | 12/2019 |
|---|---|---|
| Sales financing operations and services in France | 1,689 | 1,614 |
| Sales financing operations and services in other countries | 2,046 | 1,995 |
| **TOTAL RCI BANQUE GROUP** | **3,735** | **3,609** |

Other personnel expenses include amounts charged to and reversed from provisions for restructuring and for personnel related risks totaling €15 million as at 31 December 2020 compared to €7 million as at 31 December 2019.

## NOTE 31 COST OF RISK BY CUSTOMER CATEGORY

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **COST OF RISK ON CUSTOMER FINANCING** | **(335)** | **(176)** |
| Impairment allowances | (582) | (277) |
| Reversal of impairment | 353 | 198 |
| Losses on receivables written off | (136) | (133) |
| Amounts recovered on loans written off | 30 | 36 |
| **COST OF RISK ON DEALER FINANCING** | **(18)** | **9** |
| Impairment allowances | (76) | (80) |
| Reversal of impairment | 60 | 89 |
| Losses on receivables written off | (2) | (1) |
| Amounts recovered on loans written off | | 1 |
| **OTHER COST OF RISK** | | **(10)** |
| Change in allowance for impairment of other receivables | | 1 |
| Other valuation adjustments | | (11) |
| **TOTAL COST OF RISK(*)** | **(353)** | **(177)** |
| *(*) Of which related parties* | | *(11)* |

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

In 2019, other valuation adjustments comprise the debt waiver granted to entities disposed of (namely Marcel) in the amount of -€11.4 million.

The cost of risk for the Customer activity (retail and corporate financing) was up in 2020.

It was impacted by the negative repercussions of lockdown policies on several sectors of the economy, which have resulted in:

- an increase in provisions set up on an individual basis for large corporate customers for €60 million;
- an increase in B3 outstandings with a corresponding increase in provisions of €68 million;
- an adjustment of the respective weights of the macroeconomic scenarios leading to an increase of €21 million in IFRS 9 forward-looking provisions;
- the constitution of collective provisions for €45 million for debtors operating in business sectors heavily impacted by the pandemic. Due to their sectoral nature, these provisions are also qualified as forward looking;
- an increase in the provisioning rate for B1 and B2 outstandings.

For the wholesale activity (dealer financing), the cost of risk is mainly negatively impacted by the updating of macroeconomic forecasts as part of the IFRS 9 forward-looking provisioning for €23 million.

## NOTE 32 INCOME TAX

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| **CURRENT TAX EXPENSE** | **(241)** | **(294)** |
| Current tax expense | (241) | (294) |
| **DEFERRED TAXES** | **35** | **(98)** |
| Income (expense) of deferred taxes, gross | 34 | (98) |
| Change in allowance for impairment of deferred tax assets | 1 | |
| **TOTAL INCOME TAX** | **(206)** | **(392)** |

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) included in current income tax is -€4 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 2020, takes into account tax income of €51 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 2019 (i.e. 6/7 of €59 million). At the end of December 2020, this credit was recorded in the financial statements following the payment of dividends from the Maltese entities.

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 corporate tax rate provided for in the French finance law. At the end of December 2020, this impact generated a deferred tax expense of -€27 million.

The difference in the deferred tax item between 31 December 2019 to 31 December 2020 was €134 million. This change in deferred tax is linked to the decrease in the deferred tax rate in France, which has fallen from 32.02% to 28.41% under the current finance law.

### Breakdown of net deferred taxes by major category

| *In millions of euros* | 12/2020 | 12/2019 |
|---|---|---|
| Provisions | 73 | 45 |
| Provisions and other charges deductible when paid | 30 | 22 |
| Tax loss carryforwards | 143 | 126 |
| Other assets and liabilities | 101 | 148 |
| Lease transactions | (744) | (754) |
| Non-current assets | 2 | 1 |
| Impairment allowance on deferred tax assets | (4) | (5) |
| **TOTAL NET DEFERRED TAX ASSET (LIABILITY)** | **(399)** | **(417)** |

### Reconciliation of actual tax expense booked and theoretical tax charge

| *In %* | 12/2020 | 12/2019 |
|---|---|---|
| **STATUTORY INCOME TAX RATE - FRANCE** | **32.02%** | **34.43%** |
| Differential in tax rates of French entities | -4.46% | 2.12% |
| Differential in tax rates of foreign entities | -7.72% | -9.07% |
| Change in impairment allowance on deferred tax assets and losses on tax loss carryforwards | -0.10% | 0.00% |
| Effect of equity-accounted associates | -0.62% | -0.55% |
| Other impacts | 1.43% | 2.64% |
| **EFFECTIVE TAX RATE** | **20.54%** | **29.57%** |

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

| | 2020 change in equity | | | 2019 change in equity | | |
|---|---|---|---|---|---|---|
| *In millions of euros* | Before tax | Tax | Net | Before tax | Tax | Net |
| Unrealised P&L on cash flow hedge instruments | (1) | 1 | | (19) | 5 | (14) |
| Unrealised P&L on financial assets | | | | 1 | (1) | |
| Actuarial differences | (5) | 1 | (4) | (13) | 3 | (10) |
| Exchange differences | (159) | | (159) | 15 | | 15 |

## NOTE 33 EVENTS AFTER THE END OF THE REPORTING PERIOD

No event subsequent to closure that might have a significant effect on the financial statements at 31 December 2020 occurred between the date of closure and 12 February 2021, the date on which the Board approved the financial statements

## 4.3.8 GROUP SUBSIDIARIES AND BRANCHES

### 4.3.8.1 List of consolidated companies and foreign branches

| | Country | Direct interest of RCI | Indirect interest of RCI | | % interest | |
|---|---|---|---|---|---|---|
| | | | % | Held by | 2020 | 2019 |
| **PARENT COMPANY: RCI BANQUE S.A.** | | | | | | |
| **Branches of RCI Banque:** | | | | | | |
| RCI Banque S.A. Niederlassung Deutschland | Germany | | | | | |
| RCI Banque Sucursal Argentina | Argentina | | | | | |
| RCI Banque S.A. Niederlassung Osterreich | Austria | | | | | |
| RCI Banque S.A. Sucursal en Espana | Spain | | | | | |
| RCI Banque Sucursal Portugal | Portugal | | | | | |
| RCI Banque S.A. Bancna Podruznica Ljubljana | Slovenia | | | | | |
| RCI Banque Succursale Italiana | Italy | | | | | |
| RCI Banque Branch Ireland | Ireland | | | | | |
| Renault Finance Nordic, Bankfilial till RCI Banque S.A. Frankrike | Sweden | | | | | |
| RCI Banque Spółka Akcyjna Oddział w Polsce | Poland | | | | | |
| **FULLY CONSOLIDATED COMPANIES:** | | | | | | |
| RCI Versicherungs Service GmbH | Germany | 100 | | | 100 | 100 |
| Rombo Compania Financiera S.A. | Argentina | 60 | | | 60 | 60 |
| Courtage S.A. | Argentina | 95 | | | 95 | 95 |
| RCI Financial Services SA | Belgium | 100 | | | 100 | 100 |
| AUTOFIN | Belgium | 100 | | | 100 | 100 |
| Administradora De Consorcio RCI Brasil Ltda. | Brazil | 99.92 | | | 99.92 | 99.92 |
| Banco RCI Brasil S.A. (ex Companhia de Arrendamento Mercantil RCI Brasil) | Brazil | 60.11 | | | 60.11 | 60.11 |
| Corretora de Seguros RCI Brasil S.A. | Brazil | 100 | | | 100 | 100 |
| RCI Brasil Serviços e Participações Ltda(**) | Brazil | 100 | | | 100 | 100 |
| RCI Colombia S.A. Compania De Financiamiento | Colombia | 51 | | | 51 | 51 |
| RCI Servicios Colombia S.A. | Colombia | 100 | | | 100 | |
| RCI Financial Services Korea Co, Ltd | South Korea | 100 | | | 100 | 100 |
| Overlease S.A. | Spain | 100 | | | 100 | 100 |
| Diac S.A. | France | 100 | | | 100 | 100 |
| Diac Location S.A. | France | - | 100 | Diac S.A. | 100 | 100 |
| RCI ZRT | Hungary | 100 | | | 100 | 100 |
| ES Mobility SRL | Italy | 100 | | | 100 | 100 |
| RCI Services Ltd | Malta | 100 | | | 100 | 100 |
| RCI Insurance Ltd | Malta | - | 100 | RCI Services Ltd | 100 | 100 |
| RCI Life Ltd | Malta | - | 100 | RCI Services Ltd | 100 | 100 |
| RCI Finance Morocco | Morocco | 100 | | | 100 | 100 |
| RDFM | Morocco | - | 100 | RCI Finance Morocco | 100 | 100 |
| RCI Financial Services B.V. | Netherlands | 100 | | | 100 | 100 |
| RCI Leasing Polska | Poland | 100 | | | 100 | 100 |

| | Country | Direct interest of RCI | Indirect interest of RCI | | % interest | |
|---|---|---|---|---|---|---|
| | | | % | Held by | 2020 | 2019 |
| RCI COM S.A. | Portugal | 100 | | | 100 | 100 |
| RCI GEST SEGUROS – Mediadores de Seguros, Lda | Portugal | - | 100 | RCI COM S.A. | 100 | 100 |
| RCI Finance CZ s.r.o. | Czech Republic | 100 | | | 100 | 100 |
| RCI Financial Services s.r.o. | Czech Republic | 50 | | | 50 | 50 |
| RCI Broker De Asigurare S.R.L. | Roumania | - | 100 | RCI Finantare Romania | 100 | 100 |
| RCI Leasing Romania IFN S.A. | Roumania | 100 | | | 100 | 100 |
| RCI Finantare Romania | 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 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. | | |
| Cars Alliance Auto Loans Italy 2015 SRL | Italy | | (cf Note 13) | RCI Banque Succursale Italiana | | |
| Cars Alliance Auto UK 2015 Limited | United-Kingdom | | | RCI Financial Services Ltd | | |
| Fundo de Investimentos em Direitos Creditórios CAS VD | Brazil | | | Banco RCI Brasil S.A. | | |
| **EQUITY ACCOUNTED COMPANIES:** | | | | | | |
| RN SF B.V. | Netherlands | 50 | | | 50 | 50 |
| BARN B.V. | Netherlands | - | 60 | RN SF B.V. | 30 | 30 |
| RN Bank | Russia | - | 100 | BARN B.V. | 30 | 30 |
| Orfin Finansman Anonim Sirketi | Turkey | 50 | | | 50 | 50 |
| Renault Crédit Car | Belgium | - | 50.10 | AUTOFIN | 50.10 | 50.10 |
| Nissan Renault Financial Services India Private Ltd | India | 30 | | | 30 | 30 |

*(*) Entities added to the scope in 2020.*
*(**) Entities added to the scope in 2019.*

### 4.3.8.2 Subsidiaries in which non-controlling interests are significant

| **31/12/2020 – before intra-group elimination** *(in millions of euros)* | **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** |

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 €100 million at 31 December 2020, against €144 million at 31 December 2019.

The amount of debt for puts on minority interests for ROMBO Compania Financiera is included under "Other liabilities" for €4 million at 31 December 2020, against €7 million at 31 December 2019.

The amount of debt for puts on minority interests for RCI Colombia S.A. is included under "Other liabilities" for €61 million at 31 December 2020, against zero at 31 December 2019.

| **31/12/2019 – before intra-group elimination** *(in millions of euros)* | **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 | | 24 | 5 |
| Equity: Investments in associates and joint ventures | 13 | | 1 | 39 |
| Dividends paid to non controlling interests (minority shareholders) | 1 | | 9 | |
| Cash, due from banks | 13 | 15 | 198 | 17 |
| Net outstandings customers loans and lease financings | 143 | 98 | 2,308 | 486 |
| Other assets | 5 | 2 | 142 | 12 |
| **TOTAL ASSETS** | **161** | **115** | **2,648** | **515** |
| Due to banks, customer deposits and debt securities issued | 132 | 87 | 2,281 | 426 |
| Other liabilities | 3 | 12 | 91 | 9 |
| Net Equity | 26 | 16 | 276 | 80 |
| **TOTAL LIABILITIES** | **161** | **115** | **2,648** | **515** |
| **NET BANKING INCOME** | **10** | **7** | **139** | **30** |
| Income tax | (1) | (1) | (16) | (6) |
| Net income | 5 | | 59 | 11 |
| Other components of comprehensive income | | 2 | (20) | |
| **TOTAL COMPREHENSIVE INCOME** | **5** | **2** | **39** | **11** |
| Net cash generated by operating activities | 13 | 8 | 77 | (11) |
| Net cash generated by financing activities | (5) | | (40) | |
| Net cash generated by investing activities | | | 2 | (1) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **8** | **8** | **39** | **(12)** |

### 4.3.8.3 Significant associates and joint ventures

| **31/12/2020 – before intra-group elimination** *(in millions of euros)* | **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** |

| **31/12/2019 - before intra-group elimination** *(in millions of euros)* | **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 | 6 | 2 |
| Investments in associates and joint ventures | 84 | 25 | 33 |
| Dividends received from associates and joint ventures | | | |
| Cash, due from banks | 91 | 35 | 3 |
| Net outstandings customers loans and lease financings | 1,390 | 298 | 364 |
| Other assets | 55 | 7 | 12 |
| **TOTAL ASSETS** | **1,536** | **340** | **379** |
| Due to banks, customer deposits and debt securities issued | 1,211 | 278 | 19 |
| Other liabilities | 48 | 13 | 250 |
| Net Equity | 277 | 49 | 110 |
| **TOTAL LIABILITIES** | **1,536** | **340** | **379** |
| **NET BANKING INCOME** | **86** | **21** | **20** |
| Income tax | (11) | (1) | (3) |
| Net income | 44 | 11 | 8 |
| Other components of comprehensive income | | | |
| **TOTAL COMPREHENSIVE INCOME** | **44** | **11** | **8** |
| Net cash generated by operating activities | (51) | (13) | (24) |
| Net cash generated by financing activities | | | |
| Net cash generated by investing activities | | | |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(51)** | **(13)** | **(24)** |

### 4.3.8.4 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.

# 4.4 APPENDIX 1: INFORMATION ABOUT LOCATIONS AND OPERATIONS

**31/12/2020** *(in millions of euros)*

| 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 | 432 | 162.3 | 58.0 | (38.3) | (22.8) | |
| | RCI Banque S.A. Niederlassung Deutschland | Financing | | | | | | |
| Germany | RCI Versicherungs-Service GmbH | Services | 368 | 262.3 | 175.9 | (33.0) | (21.7) | |
| | RCI Banque Sucursal Argentina | Financing | | | | | | |
| | Rombo Compania Financiera S.A. | Financing | | | | | | |
| Argentina | Courtage S.A. | Services | 55 | 30.4 | 5.3 | (7.1) | | |
| Austria | RCI Banque S.A. Niederlassung Österreich | Financing | 54 | 24.2 | 10.2 | (2.6) | 0.1 | |
| | RCI Financial Services S.A. | Financing | | | | | | |
| | Autofin S.A. | Financing | | | | | | |
| Belgium | Renault Crédit Car S.A. | Financing | 30 | 15.5 | 11.7 | (2.8) | (0.1) | |
| | Administradora de Consórcio RCI Brasil Ltda | Financing | | | | | | |
| | Banco RCI Brasil S.A. | Financing | | | | | | |
| Brazil | Corretora de Seguros RCI Brasil S.A. | Services | 156 | 109.2 | 38.2 | (26.7) | 16.7 | |
| | RCI Colombia S.A. Compania de Financiamiento | Financing | | | | | | |
| Colombia | RCI Servicios Colombia S.A. | Financing | 64 | 32.0 | 6.1 | (2.2) | 0.7 | |
| South Korea | RCI Financial Services Korea Co. Ltd | Financing | 113 | 66.9 | 45.9 | (13.1) | 1.9 | |
| | RCI Banque S.A. Sucursal En España | Financing | | | | | | |
| Spain | Overlease S.A. | Financing | 234 | 126.8 | 46.9 | (21.5) | 7.4 | |
| | Diac S.A. | Financing | | | | | | |
| France | Diac Location S.A. | Financing | 1,103 | 414.7 | 128.5 | (2.4) | 41.5 | |
| Hungary | RCI Zrt | Financing | 6 | 3.3 | 2.6 | (0.1) | | |
| India | Nissan Renault Financial Services India Private Limited | Financing | 110 | | 1.9 | | | |
| Ireland | RCI Banque, Branch Ireland | Financing | 32 | 15.9 | 10.1 | (1.2) | | |
| | RCI Banque S.A. Succursale Italiana | Financing | | | | | | |
| Italy | ES Mobility S.R.L. | Financing | 221 | 171.8 | 99.2 | (32.2) | (1.0) | |
| | RCI Services Ltd | Holding | | | | | | |
| | RCI Insurance Ltd | Services | | | | | | |
| Malta | RCI Life Ltd | Services | 31 | 184.4 | 177.8 | (14.4) | 2.7 | |
| | RCI Finance Maroc S.A. | Financing | | | | | | |
| Morocco | RDFM S.A.R.L | Services | 53 | 27.9 | (8.0) | (4.9) | 8.0 | |
| Netherlands | RCI Financial Services B.V. | Financing | 48 | 23.3 | 12.9 | (3.2) | | |
| | RCI Banque Spólka Akcyjna Oddzial w Polsce | Financing | | | | | | |
| Poland | RCI Leasing Polska Sp. z o.o. | Financing | 66 | 31.6 | 18.8 | (3.2) | 0.2 | |
| | RCI Banque S.A. Sucursal Portugal | Financing | | | | | | |
| Portugal | RCI Gest Seguros - Mediadores de Seguros Lda | Services | 39 | 16.5 | 4.1 | (2.7) | 0.3 | |

**31/12/2020** *(in millions of euros)*

| 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 |
|---|---|---|---|---|---|---|---|---|
| | RCI Finance C.Z., S.r.o. | Financing | | | | | | |
| Czech Rep | RCI Financial Services, S.r.o. | Financing | 22 | 10.9 | 4.9 | (1.6) | | |
| | RCI Finantare Romania S.r.l. | Financing | | | | | | |
| | RCI Broker de asigurare S.R.L. | Services | | | | | | |
| Romania | RCI Leasing Romania IFN S.A. | Financing | 63 | 22.2 | 15.5 | (2.6) | 0.2 | |
| | RCI Financial Services Ltd | Financing | | | | | | |
| United Kingdom | RCI Bank UK | Financing | 313 | 152.7 | 88.9 | (19.6) | 1.3 | |
| | RNL Leasing | Financing | | | | | | |
| Russia | Sub group RNSF BV, BARN BV and RN Bank | Financing | 257 | 3.1 | 15.0 | | (0.4) | |
| Slovenia | RCI Banque S.A. Bančna podružnica Ljubljana | Financing | 39 | 10.7 | 5.3 | (1.3) | | |
| Sweden | Renault Finance Nordic Bankfilial till RCI Banque S.A., Frankrike | Financing | 21 | 10.8 | 7.5 | (1.2) | (0.4) | |
| Switzerland | RCI Finance S.A. | Financing | 49 | 25.1 | 15.2 | (3.1) | 0.4 | |
| Turkey | ORFIN Finansman Anonim Sirketi | Financing | 53 | | 4.1 | | | |
| **TOTAL** | | | **4,032** | **1,955** | **1,003** | **(241)** | **35** | |

# 4.5 APPENDIX 2: FINANCIAL RISKS

### Refinancing and balance sheet management

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

The principles of the financial policy extend to all consolidated subsidiaries of the 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.

## 4.5.1 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.

## 4.5.2 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: | €32 million |
| Limit for sales financing subsidiaries: | €14.5 million |
| Not assigned: | €3.5 million |
| **Total sensitivity limit in €m granted by Renault to RCI Banque:** | **€50.0 million** |

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.

Over the Year 2020, RCI Banque's overall sensitivity to the interest rate risk remained below the limit set by the group (€50 million).

At 31 December 2020, sensitivity to NIM following a 100-basis point rise in rates would have an impact of:

- +€4.3 million in EUR;
- -€0.6 million in BRL;
- +€0.6 million in KRW;
- -€0.3 million in GBP;
- -€0.1 million in PLN;
- +€0.2 million in CZK;
- +€0.5 million in CHF.

The absolute sensitivity values in each currency totaled €9.4 million.

## 4.5.3 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.

## 4.5.4 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.

## 4.5.5 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.

### Central refinancing unit

The forex position of RCI Banque S.A., the central refinancing unit, which historically is very low, stayed under €4 million 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 2020, the RCI Banque group's consolidated forex position is €5.8 million.

## 4.5.6 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 €239 million at 31 December 2020, compared to €318 million at 31 December 2019. According to the "positive mark to market + add-on" method, the equivalent counterparty risk was €18 million at 31 December 2020, compared with €12 million at 31 December 2019. These figures only relate to credit institutions. They were determined without taking into account netting agreements, in accordance with the methodology described.


RESIDUAL VALUES
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TRANSFORM
TOGETHER

# Chapter 05

# GENERAL INFORMATION

# 5.1 GENERAL INFORMATION ABOUT THE COMPANY

## 5.1.1 GENERAL PRESENTATION

### Name and registered office

Corporate name: RCI Banque S.A.

Trade name: RCI Bank and Services

Nationality: French

Registered office: 15, rue d'Uzès – 75002 Paris – France

Tel.: +33 (0)1 49 32 80 00

### Legal form

Société Anonyme à Conseil administration (a limited company with a Board of Directors, under French law).

### Governing law

The company is governed by the provisions of the Code de Commerce (French Commercial Code).

Since it was granted its banking license by the Banque de France on 7 March 1991, RCI Banque has also been subject to all the laws and regulations applicable to credit institutions, in particular those incorporated into France's Monetary and Financial Code (Code Monétaire et Financier).

### Date created and term

The company was created on 9 April 1974 and registered with the Paris Commercial Court on 4 June 1974. It began operating on 21 August 1974, for a term of 99 years, i.e. until August 2073.

### Corporate purpose

The corporate purpose of the société anonyme (French limited company) RCI Banque, both in France and abroad, directly and indirectly, on its own behalf or own behalf of third parties, is:

- carrying out lending and banking operations, in all their forms, intended or not to finance the acquisition of goods and/or services, and in particular revolving loan operations and the issue or management of payment instruments linked to such operations;
- conducting studies of all kinds relating to the formation, expansion and transformation of industrial, commercial, financial and service undertakings;
- conducting full or partial studies, and engaging in consulting and negotiating activities in economic, financial, commercial and managerial areas;
- conducting research on designing and improving managerial, organizational and financial systems;
- carrying out projects resulting from the aforementioned studies, or contributing to the execution thereof by any appropriate means, including taking equity interests in existing or new entities;
- financing business customers, in particular by acquiring holdings of their equity or debt securities, using the company's own equity or borrowed funds;
- providing investment services as defined by the French Financial Activities Modernization Act (96-597) of 2 July 1996;
- managing the portfolio of securities resulting from these activities, in particular by carrying out all purchase, sale, exchange and transfer transactions in securities of all kinds;
- doing business as an insurance intermediary within the meaning of the French law of 15 December 2005 transposing the European Directive of 9 December 2002, acting as agent, commissioner or broker;
- more generally, carrying out any industrial, commercial, financial or property transactions directly or indirectly related to the corporate purpose or to any similar or connected purposes useful to, or facilitating the realization and development of that purpose.

### Registration and identification number

The company is registered with the Paris Register of Companies under SIREN number: 306 523 358, SIRET number: 306 523 358 00076, ORIAS number: 07023704, and APE code 6419Z (business activity code).

### Access to legal documents

Legal documents pertaining to the issuer may be consulted at the company's registered office.

### Financial year

The company's financial year starts on 1st January and ends on 31 December of each calendar year.

## 5.1.2 SPECIAL ARTICLES OF ASSOCIATION PROVISIONS

### Statutory allocation of earnings

#### (Article 36 – distribution of dividends)

Net income consists of net revenues for the year, less overhead costs and other corporate expenses, and after depreciation, amortization and impairment allowances. At least five percent of net income less any prior-year losses is appropriated to fund the legal reserve. Once the amount of the legal reserve is equal to one-tenth of the share capital, this appropriation is no longer mandatory.

It is resumed in the event that the legal reserve falls below one tenth of the share capital for any reason. Distributable income consists of the current year's net income less any prior-year losses, the aforementioned appropriation, and any other transfers required by applicable law, plus unallocated retained earnings brought forward from previous years. From this income, the ordinary general meeting may decide to distribute dividends. Such dividends shall be appropriated first from the distributable income generated in the current year. From the available surplus, the ordinary general meeting may appropriate any amounts it deems appropriate, to be carried over to one or more general or special reserve accounts to be allocated or used as it sees fit.

### General meetings

#### (Articles 27 to 33 of the Articles of Association)

#### Types of general meetings

Each year, the shareholders convene in an annual general meeting, which must be held within five months of the end of the financial year.

In addition, the shareholders may hold ordinary general meetings that meet on an extraordinary basis, or extraordinary general meetings when their purpose is to amend the Articles of Association, except as otherwise provided for by law, may also be held.

The general meeting, duly constituted, represents all shareholders. Its decisions, taken in accordance with law and the company's Articles of Association, are binding on all shareholders, even those who are absent, incapable of attending or in disagreement.

Shares held in treasury by the company are not counted when calculating the quorum for the various meetings. Two members of the works council, appointed by that council, one representing engineers and managerial staff and the other representing support staff, may attend general meetings.

The Board of Directors may decide that shareholders will be able to take part in and vote at general meetings by videoconference or any other means of telecommunication that permits them to be identified as required by law.

#### Notice of meetings

The Board of Directors calls the shareholders to general meetings by means of a notice indicating the date, time and place of meeting. Failing this, general meetings by also be convened by:

- the statutory auditors;
- a representative appointed by order of the presiding judge of a French commercial court ruling in summary proceedings at the petition either of any interested party, or of one or more shareholders who together own at least 5% of the share capital;
- the receivers.

#### Quorum – Majority

Ordinary and extraordinary general meetings are subject to the quorum and majority requirements prescribed by law and exercise the powers allocated to them by law.

#### Composition of meetings

All shareholders, regardless of the number of shares they own, may attend general meetings, participate in the proceedings and vote. Owners of registered shares who have requested that such shares be duly recorded in the company register at least five days before the meeting are admitted upon presentation of identification. Shareholders may be represented by another shareholder, or by their spouse. Proxies prepared in accordance with the law must be received at the registered office at least five days before the date of the meeting.

All shareholders, regardless of the number of shares they own, may attend Extraordinary general meetings, take part in the proceedings and vote. The right to vote in ordinary general meetings belongs to the beneficial owner of the shares to which the right is attached; the right to vote in extraordinary general meetings belongs to the named legal owner. When a general meeting has been called, the company shall, at its own expense, deliver or send a mail ballot and attachments thereto, to any shareholder who so requests by registered mail (return receipt requested).

The company must honor any request received by its registered office no later than six days before the date of the meeting.

The mail ballot must include certain information as stipulated by Articles R.225-76 and seq. of the Code de Commerce (French Commercial Code). It must clearly notify the shareholder that abstention from voting or failure to indicate voting instructions on any item shown on the form will be treated as a vote against the proposed resolution.

The form may be included in the same document as the proxy form, if applicable. In this event, the applicable provisions are those of Article R.225-78 of the Code de Commerce (French Commercial Code). The documents stipulated by the aforementioned Article R.225-76 must be attached to the mail ballot.

A mail ballot sent to the company for a given general meeting is also valid for any subsequent meetings convened to address the same agenda. Mail ballots must be received by the company at least three days before the date of the meeting. If a proxy is returned with a mail ballot, the proxy is taken into consideration subject to the votes indicated in the mail ballot.

#### Meeting officers – Attendance sheet

The general meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the Vice-Chairman, if one has been named, or by a director appointed by the Board.

If the meeting has been convened by the statutory auditors, by a court-appointed representative or by the receivers, one of their members chairs the meeting. The votes are counted by the two largest shareholders, either acting on their own behalf or as representatives, or, if they decline, by the next largest shareholders, and so on, until this responsibility is accepted.

These officers appoint the secretary of the meeting, who need not be a member of the meeting. An attendance sheet containing all information required by law and regulation is drawn up at shareholders' meetings. The meeting's officers may attach to the attendance sheet all proxy or mail ballots showing the last name, usual first name and address of each shareholder represented or casting a mail ballot, the number of shares that he or she owns, and the number of votes attached to those shares. In this case, the meeting's officers shall indicate the number of proxies and mail ballots attached to the attendance sheet, together with the number of shares and voting rights associated with such proxies and mail ballots.

Proxies and mail ballots shall be submitted at the same time and under the same conditions as the attendance sheet. The accuracy of the attendance sheet, duly initialed by the shareholders in attendance and by shareholders' representatives, is certified by the meeting's officers.

The responsibilities of the officers relate exclusively to the holding of the meeting and proper conduct thereof; their decisions are always provisional and remain subject to a vote by the meeting itself. Any interested party may initiate such a vote.

#### Agenda

The meeting's agenda is established by the Board of Directors or by the person who convenes the general meeting. However, under the conditions prescribed by law, one or more shareholders may request that certain draft resolutions not concerning the presentation of candidates for the Board of Directors be included on the agenda.

#### Minutes

The proceedings of general meetings are recorded in minutes that are entered in a special numbered and initialed register and signed by the meeting's officers. The minutes may be drawn up on sequentially numbered, initialed loose-leaf sheets. Copies or extracts of the minutes to be provided for legal or other purposes are duly certified either by the Chairman of the Board of Directors or by a director serving as Chief Executive or by the meeting's secretary. Such copies or extracts are valid with respect to third parties provided that the signatures thereon are valid.

## 5.1.3 GENERAL INFORMATION ABOUT THE SHARE CAPITAL

### 5.1.3.1 General presentation

#### Share capital

The share capital, which was initially 2,000,000 French francs, was subsequently altered by capital increases and by conversion into euros. Following these changes, the share capital has stood at €100,000,000 since 22 November 2000. It is divided into 1,000,000 fully paid shares of €100 each.

### 5.1.3.2 Current share capital ownership and voting rights

#### Shareholders

At 31 December 2020, all equity securities were held by Renault s.a.s. (except for one equity security granted to the Chairman of the Board of Directors).

#### Changes in share capital ownership over the past three years

Following an amendment to the Articles of Association decided upon by the extraordinary general meeting of 30 September 2015, the number of shareholders was reduced to seven. Following the amendment to Article L.225-1 of France's Commercial Code (Code du commerce) by the Act of 10 May 2016, the number of shareholders was reduced to its minimum, i.e. to two shareholders.

#### Individuals or legal entities that exercise or may exercise control over RCI Banque

Renault s.a.s. owns 99.99% of RCI Banque S.A.

#### Organization – issuer's position within a group

Groupe Renault consists of two separate and distinct branches:

- the automobile branch;
- the sales financing branch composed of the RCI Banque group. Through its status as a bank, its independent access to financial markets and its inclusion in Renault's marketing policy, RCI Banque offers a competitive range of automotive financing products and related services to Nissan group and Groupe Renault brand dealership networks worldwide.

The organization of the RCI Banque group is described on the back cover of this document.

### 5.1.3.3 Markets for issuer's securities

The company's shares are not listed on any stock exchanges.

#### Securities listings

Publicly traded debt securities of the RCI Banque group are listed on the Luxembourg and Paris stock exchanges.

### 5.1.3.4 Employee profit sharing scheme

In accordance with Articles L.442-1 and seq. of the Code du travail (French Labor Code), a profit-sharing agreement was signed on 2 June 2003.

Profit-sharing is allocated to all group employees in proportion to the gross salary received by each eligible individual during the relevant year, up to the limits set by law. Each beneficiary may choose to allocate this amount:

- either to a current account in his or her name on the company's books; or
- to units in a unit trust.

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| Profit-sharing *(in millions of euros)* | 2.8 | 10.3 | 9.5 | 9.1 | 8.4 | 7.5 | 7.5 |
| Beneficiaries | 1,866 | 1,814 | 1,707 | 1,601 | 1,499 | 1,447 | 1,393 |

## 5.1.4 FEES PAID TO STATUTORY AUDITORS AND THEIR NETWORK

| | Network KPMG | | | | Network MAZARS | | | | Network Other auditors | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2020 | | 2019 | | 2020 | | 2019 | |
| | Amount excl. tax | % | Amount excl. tax | % | Amount excl. tax | % | Amount excl. tax | % | Amount excl. tax | % | Amount excl. tax | % |
| Legal audit in the strict sense | 1,531 | 100% | 1,597 | 97% | 1,285 | 99% | | | | | 1,208 | 98% |
| Services necessarily rendered due to local regulations | | | 25 | 2% | | | | | | | 26 | 2% |
| Services usually provided by the auditors | 5 | 0% | 29 | 2% | 8 | 1% | | | | | | |
| **LEGAL AUDIT AND RELATED SERVICES** | **1,536** | **100%** | **1,651** | **100%** | **1,293** | **100%** | | | | | **1,234** | **100%** |
| Tax, legal & social consulting | | | 22 | 100% | | | | | | | | |
| Organisation consulting | | | | | | | | | | | | |
| Other consulting | 3 | 100% | | | 10 | 100% | | | | | | |
| **AUTHORIZED SERVICES (EXCLUDING LEGAL AUDIT) REQUIRING APPROVAL** | **3** | | **22** | | **10** | | | | | | | |
| **TOTAL FEES** | **1,539** | | **1,673** | | **1,303** | | | | | | **1,234** | |

### 5.1.5 EXTERNAL AUDITORS

#### KPMG S.A.

Tour Eqho, 2 Avenue Gambetta

92066 Paris La Défense Cedex

Société Anonyme (limited company under French law) listed in the Nanterre Register of Companies under no. 775 726 417

*Statutory auditor, Member, Compagnie Régionale de Versailles*

Term of office: six years

Term expires: Accounting year 2025

Represented at 31 December 2020 by Mr. Ulrich Sarfati

#### MAZARS

Tour Exaltis, 61 rue Henri Regnault

92075 Paris La Défense Cédex

Société Anonyme (limited company under French law) listed in the Nanterre Register of Companies under no. 784 824 153

*Statutory auditor, Member, Compagnie Régionale de Versailles*

Term of office: two years

Term expires: Accounting year 2021

Represented at 31 December 2020 by Ms. Anne Veaute

## 5.2 BACKGROUND

RCI Banque is the result of the merger on 1st January 1990 between:

- Diac, created in 1924 to finance sales of Renault vehicles in France; and
- Renault Crédit International, established in 1974 to finance sales of Renault vehicles in Europe. Under the terms of the agreement of 27 March 1999 between Renault and Nissan, the RCI Banque group acquired Nissan's sales financing subsidiaries in five European countries.

Those subsidiaries have been consolidated by RCI Banque since 1st July 1999. At 31 December 2002, all shares were held by Compagnie Financière Renault, which in turn was wholly owned by Renault S.A. Compagnie Financière Renault served as the umbrella for all Groupe Renault finance companies. From 20 June 2003, as a result of its merger with Renault s.a.s., Compagnie Financière Renault stopped being a director and shareholder of RCI Banque and since then, 99.99% of the share capital has been held by Renault s.a.s.

### 5.2.1 DEPENDENCE

RCI Banque provides financing to Groupe Renault and commercial or financial sourcing agreements and Nissan sales Dealers and Customers. RCI Banque is not subject to any patens, licenses, industrial supply contracts, commercial or financial sourcing agreement or agreements regarding new manufacturing processes.

## 5.2.2 INVESTMENT POLICY

Main investments and disposals over the last five financial years.

| | Cession – Dissolutions – Fusions | Acquisitions | Creations |
|---|---|---|---|
| 2020 | **United Kingdom**: Closing of the branch RCI Banque | | |
| 2019 | **Canada**: sale of ICABBI CANADA Inc. to Renault MAI<br>**United States**: sale of KARHOO AMERICAS Inc., ICABBI USA Inc. to Renault MAI<br>**Ireland**: sale of COOLNAGOUR Ltd. T/A ICABBI to Renault MAI<br>**France**: sale of RCI MOBILITY S.A.S,CLASS&CO S.A.S, MARCEL S.A.S, CLASS&CO SOFTWARE (YUSO) to Renault MAI<br>**United Kingdom**: sale of FLIT TECHNOLOGIES Ltd., KARHOO EUROPE (UK) Ltd., COMO URBAN MOBILITY Ltd., COOLNAGOUR UKLtd., SCT SYSTEMS Ltd. to Renault MAI.<br>Intragroup sale of RCI FINANCIAL SERVICES Ltd. to RCI BANK UK Ltd | **Colombia**: acquisition of a 5.02% stake in RCI SERVICIOS COLOMBIA S.A.S. | |
| 2018 | **France**: intragroup transfer of CLASS&CO SOFTWARE S.A.S (Yuso) to the subsidiary FLIT TECHNOLOGIES Ltd. (Karhoo) | **Canada**: acquisition of iCabbi Canada,Inc.<br>**United States**: acquisition of ICABBI USA, Inc.<br>**Ireland**: acquisition of a 78.06% stake in Coolnagour Ltd. t/a iCabbi<br>**United Kingdom**: acquisition of Coolnagour UK Ltd. and SCT Systems Ltd. | **United Kingdom**: creation of RCI Services UK Ltd. |
| 2017 | **Italy**: transfer of OVERLEASE INLIQUIDAZIONE S.R.L interest (49%) | **France**: acquisition of CLASS&CO S.A.S, MARCEL S.A.S, CLASS&CO SOFTWARE S.A.S (Yuso)<br>**United Kingdom**: acquisition of FLIT TECHNOLOGIES Ltd. (Karhoo) | **United States (Delaware)**: creation of KARHOO AMERICAS Inc.<br>**United Kingdom**: creation of KARHOO EUROPE (UK) Ltd. and COMO URBAN MOBILITY Ltd. |
| 2016 | **Brazil**: merger by absorption of COMPANHIA DE CREDITO E INVESTIMENTO RCI BRASIL by BANCO RCI BRASIL S.A.<br>**Portugal**: merger by absorption of RCI GEST INSTITUICAO DE CREDITO S.A. by RCI Banque S.A. | **United Kingdom**: acquisition by RCI Banque S.A. of a 24.96% stake in BULB SOFTWARE Ltd. | **Portugal**: creation of RCICOM S.A.<br>**Colombia**: creation of RCI COLOMBIA S.A. COMPANIA DE FINANCIAMIENTO |

# 5.3 STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

I certify, to the best of my knowledge, that the accounts are compiled in accordance with the accounting standards applicable and give a true picture of the assets, financial position and results of the company and of all companies included in the consolidation. The attached management report gives an accurate picture of changes in the business, results and financial position of the company and of all companies included in the consolidation as well as a description of the main risks and uncertainties with which they are faced. The management report included with the present financial report does not contain all of the information required under the Code de Commerce (French Commercial Law). Said information will be included in the management report to be put before the annual general meeting of shareholders.

12 February 2021

The Chairman of the Board of Directors

Clotilde DELBOS

# DOCUMENTS AVAILABLE TO THE PUBLIC

This document is available on the RCI Banque website www.annualreport2020.rcibs.com.

In accordance with Article L225-102-1 of the French Commercial Code (Code de Commerce), information on the social and environmental consequences of the Company's activities is covered by a consolidated statement on extrafinancial performance of Renault S.A, the Group's parent company.

Anyone wishing for further information regarding RCI Banque group, may send their request to:

RCI Banque
Direction Financement et Trésorerie
FR UZS 000 015
15 rue d'Uzès 75002 Paris - France

Photo credits : Olivier Martin-Gambier

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RCI BANK AND SERVICES