PSA BANQUE

FRANCE

2019 ANNUAL REPORT

CONTENTS

MESSAGE FROM THE CEO

THE EXCELLENT 2019 RESULTS OF THE PSA BANQUE FRANCE GROUP WERE ACHIEVED IN A FAVORABLE ENVIRONMENT WITH A CLEARLY DEFINED STRATEGY WHICH WAS APPLIED PERFECTLY.

The Peugeot, Citroën and DS (PCD) brands of the PSA Group taken all together recorded growth greater than the market. Peugeot successfully launched the new combustion-powered and electric 208, while Citroën achieved market share of 11.5% and DS increased by 11.5%.

A stable economic environment, with interest rates at their lowest level ever as well as a low cost of risk contributed to a historic year 2019.

PSA Banque France financing is now granted on almost half of the vehicles sold by PCD to individuals. Customer trust in insurance or service products related to financing agreements resulted in an average of 2.13 services/insurances subscribed per financing. PSA Banque France also sought to meet the expectations of its corporate customers by offering e-signature in this customer segment.

The success of PSA Banque France is also based on:

- a strategy of diversifying its funding sources, the *"Distingo par PSA Banque"* business (online collection of savings from individuals) amounting to outstandings of €2.6 billion at the end of 2019;
- an optimised capital management with several innovative transactions in particular the subscription of a credit insurance and the implementation of a SRT (Significant Risk Transfer) transaction at the end of the year.

But more importantly still, in 2019 the PSA Banque France Group prepared for the future by building an innovative marketing offer enabling it to support the energy transition expected by the PCD brands, by launching the MaaS (Mobility as a Service) revolution and by tailoring loyalty offers to used vehicles (through leasing with a purchase option).

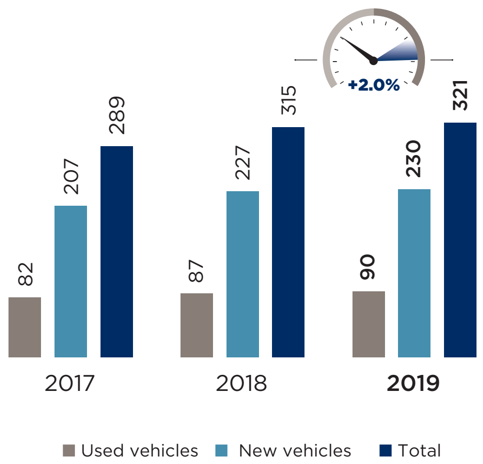
Buoyed by a dealer network that placed it in the top-three in brand financing (source: CEGOS/Auto Infos), and by professional and responsive teams, the PSA Banque France Group is equipped to maintain its customers at the heart of its business and also to tackle the unprecedented challenge of the COVID-19 health crisis.

JEAN-PAUL DUPARC
Chief Executive Officer

2019 KEY FIGURES

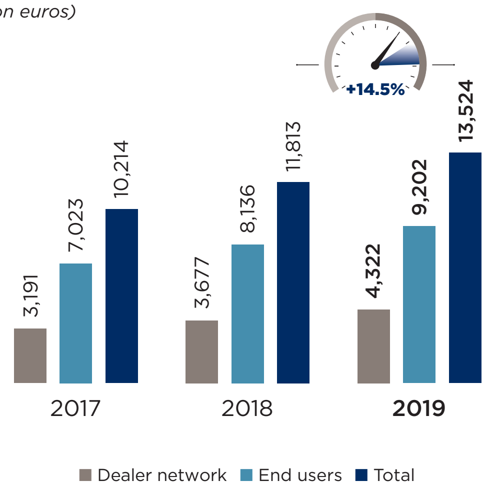
EVOLUTION OF VEHICLES FINANCED FOR END USERS

(in thousands of vehicles)



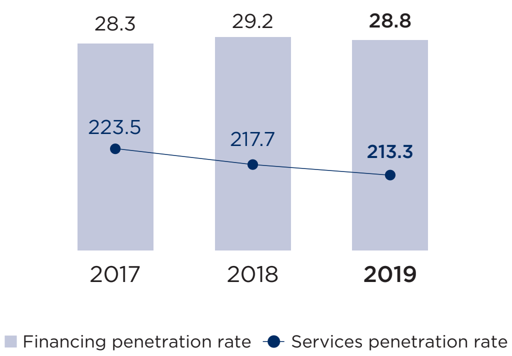
EVOLUTION OF OUTSTANDING LOANS TO END USERS AND DEALER NETWORK

(in million euros)

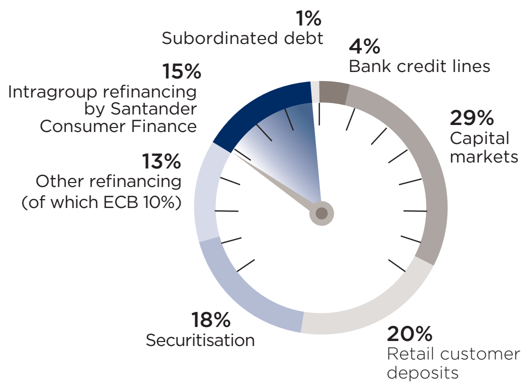


FINANCING AND SERVICE PENETRATION RATES

(in % of new vehicle sales for Peugeot, Citroën and DS / in % of financing contracts)

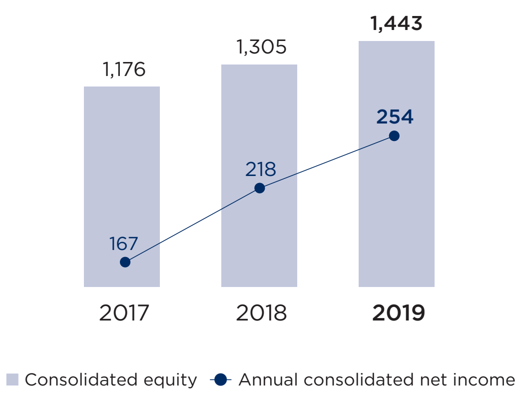


FUNDING SOURCES AT 31 DECEMBER 2019



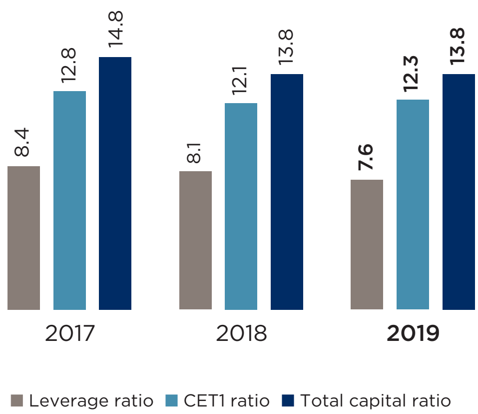
EQUITY AND NET PROFIT

(in million euros)



CAPITAL RATIOS

(in %)



1. MANAGEMENT REPORT

1.1 ACTIVITIES OF THE PSA BANQUE FRANCE GROUP AND ITS DEVELOPMENT

1.1.1 Summary of financial information

The financial information presented in this annual report has been prepared in accordance with "IFRS" (International Financial Reporting Standards) adopted by the European Union member countries. The consolidated financial statements were certified at 31 December 2019 by the Statutory Auditors of the PSA Banque France Group, PricewaterhouseCoopers and Mazars.

CONSOLIDATED INCOME STATEMENT

(in million euros)	31 December 2019	31 December 2018	Change %
Net banking revenue	529	492	+7.5
General operating expenses and equivalent	(159)	(156)	+1.9
Cost of risk	(37)	(14)	+164.3
Operating income	**333**	**322**	**+3.4**
Other non-operating income	0	(1)	(100.0)
Pre-tax income	**333**	**321**	**+3.7**
Income taxes	(79)	(103)	(23.3)
NET INCOME	**254**	**218**	**+16.5**

CONSOLIDATED BALANCE SHEET

(in million euros)

Assets	31 December 2019	31 December 2018	Change %
Cash, central banks, post office banks	453	329	+37.7
Financial assets	1	2	(50.0)
Loans and advances to credit institutions	979	668	+46.6
Customer loans and receivables	13,524	11,813	+14.5
Tax assets	10	3	+233.3
Other assets	377	329	+14.6
Property and equipment	18	9	+100.0
TOTAL ASSETS	**15,362**	**13,153**	**+16.8**

Liabilities	31 December 2019	31 December 2018	Change %
Financial liabilities	2	3	(33.3)
Deposits from credit institutions	3,738	3,764	(0.7)
Due to customers	2,877	2,518	+14.3
Debt securities	5,971	4,574	+30.5
Tax liabilities	377	340	+10.9
Other liabilities	799	494	+61.7
Subordinated debt	155	155	-
Equity	1,443	1,305	+10.6
TOTAL LIABILITIES	**15,362**	**13,153**	**+16.8**

OUTSTANDING LOANS BY CUSTOMER SEGMENT

(in million euros)	31 December 2019	31 December 2018	Change %
Dealer network	4,322	3,677	+17.5
End users	9,202	8,136	+13.1
TOTAL CUSTOMER LOANS AND RECEIVABLES	**13,524**	**11,813**	**+14.5**

1.1.2 Activities of the PSA Banque France Group

1.1.2.1 PRESENTATION

Banque PSA Finance, the finance company of the PSA Group specialised in automotive financing, and Santander Consumer Finance, the subsidiary of Banco Santander specialised in consumer finance, signed a framework agreement on 10 July 2014 on setting up a banking partnership covering 11 countries in Europe.

This partnership between Banque PSA Finance and Santander Consumer Finance takes the form of joint ventures constituted in 2015 in France, the United Kingdom, Spain and Switzerland, then in 2016 in Germany, Austria, Belgium, Italy, the Netherlands, and Poland, and a commercial partnership in Portugal since August 2015.

On 2 February 2015, Banque PSA Finance and Santander Consumer Finance, after having received the authorisation of the European Central Bank on 28 January 2015, formalised their cooperation to jointly perform banking operations in France through the SOFIB Group whose legal name changed to PSA Banque France on 18 July 2016.

The new PSA Banque France Group was founded in 2015 through the combination of the financing activities from the PSA Group in France operated by CREDIPAR, CLV, SOFIRA, and SOFIB. In May 2015 the subsidiary CREDIPAR absorbed the subsidiary SOFIRA. This operation had no impact on the consolidated financial statements of the PSA Banque France Group.

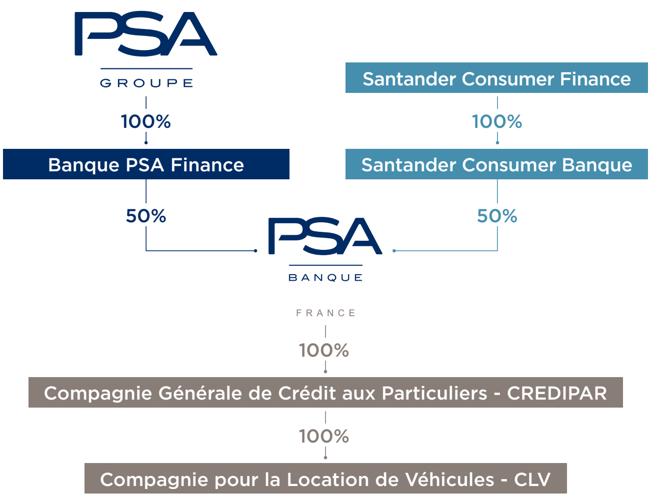
The cooperation with Santander Consumer Finance enhances the activities of the PSA Banque France Group, thanks to more competitive financial offers dedicated to Peugeot, Citroën and DS customers and dealer networks. These offers are accompanied by a complete range of insurance products and services that enable customers to benefit from a global and coherent product range at the sales point. The PSA Banque France Group also provides the dealer networks of the three brands, with financing for their stock of new and used vehicles and spare parts, as well as other financing solutions such as working capital.

A. Organisation

PSA Banque France is 50/50 controlled by Banque PSA Finance and by Santander Consumer Banque, the French subsidiary of Santander Consumer Finance, and is fully consolidated into the Santander Group.

PSA Banque France is a credit institution and 100% parent company of CREDIPAR, which itself holds 100% of CLV. All financing activities are therefore carried out by PSA Banque France and its CREDIPAR and CLV subsidiaries.

STRUCTURE OF THE PSA BANQUE FRANCE GROUP



The PSA Banque France Group is established and operates across the French territory from its registered office at 9, rue Henri-Barbusse, Gennevilliers (92230), and its 3 agencies (Grand Paris, Lyon and Rennes).

B. Organisation of the cooperation between Banque PSA Finance and Santander Consumer Finance

The cooperation between Banque PSA Finance and Santander Consumer Finance is organised within the PSA Banque France Group through a shared governance.

The governance rule of the committees implemented in the context of the cooperation in all areas (sales, risk, finance, etc.) is compatible with the corporate governance regulatory framework.

C. Business model and strategy

Backed by its economic model based on proximity with the three historic brands of the PSA Group and their dealer network, and by the financial support of the Santander Group, the PSA Banque France Group has demonstrated its ability to adjust efficiently to the economic and financial context while maintaining a high level of performance.

As such, the main leverage factors used by the PSA Banque France Group are:

- **an extended, structured and customised selection of financing solutions.** A comprehensive offering has been developed to meet the needs of the Peugeot, Citroën and DS dealer networks and their customers. A close relationship with the commercial networks allows the PSA Banque France Group to develop financing solutions and services packages specifically designed to address their needs. Since 2017, the PSA Banque France offer has been proposed in the Aramis network specialised in the purchase of new vehicles (all brands) or refurbished used vehicles, either on line, by phone, or from its own network. Aramis is a PSA Group company;
- **a privileged relationship with Peugeot, Citroën and DS and their dealer networks.** Financing, insurance and services solutions are marketed through the Peugeot, Citroën and DS distribution networks, with a global approach by packaging the financing proposal with the sale of the vehicle. Vehicle renewal rates for these brands are usually higher when customers finance their vehicles *via* the PSA Banque France Group. Today, PSA Banque France is tailoring its solutions following the arrival of electric models in its brands' ranges;
- **a cutting-edge information system integrated into the point of sale which will evolve in the coming months enabling it to be as close as possible to ongoing business in the networks.** The PSA Banque France Group's information systems are integrated with those of the Peugeot, Citroën and DS brands, enabling the dealers of these brands to make a global commercial proposal that encompasses the vehicle, its financing solution as well as any ancillary services. Eligible customers can thus obtain a decision concerning their financing application directly from the vehicle's dealer;
- **diversified insurance and service offerings with a high added value.** End users have various insurance options and services related to the vehicle or ancillary to its financing, proposed either at the same time as the financing offers or during the period of vehicle detention. The idea of a "one-stop-shopping" approach is to make financing, insurance, and services overall more attractive for customers. This offering will factor in the changing nature of customer behaviour in terms of greater mobility;
- **an optimal use of digital tools for the benefit of the customer experience and the relationship with the point of sale.** In order to support changes in customer habits when choosing a vehicle, The PSA Banque France group proposes online solutions: calculators on the websites of the brands and of the dealer networks. Customers are also offered the option of purchasing their vehicle online with its financing whilst maintaining the relationship with the network;
- **a diversified refinancing policy.** The PSA Banque France Group benefits from funding raised on capital markets (negotiable debt securities and bond issues under EMTN programme), provided by debt securitisation transactions, retail savings inflow from French customers, access to the refinancing operations of the European Central Bank (ECB) and bilateral bank credit lines, in addition to intra-group financing provided directly by Santander Consumer Finance.

Although it fully benefits from its status as a dedicated financial partner of the PSA Group, the PSA Banque France Group operates according to an independent management structure which aims for the success of its activities while ensuring a rigorous control of its own risks. As for commercial policy, it is closely aligned with the marketing and business strategy of the Peugeot, Citroën, and DS brands.

The asset management system includes a robust retail credit acceptance policy based on an internally-developed credit scoring method, and high standards of credit analysis for corporate financing.

1.1.2.2 PRODUCT AND SERVICE OFFER

In France, the PSA Banque France Group offers financing, insurance and services, as well as savings for retail customers:

- **financing for end users (68% of outstanding loans at 31 December 2019).** Individuals and companies are offered a range of solutions including instalment loans for the purchase of new and used vehicles, as well as leasing solutions with or without a purchase option. Free2Move Lease (F2ML), created in 2017 is the dedicated PSA Group's internal Long-Term Lease business unit which is part of the "Free2Move" global mobility initiative for all. PSA Banque France is one of the operational and financial pillars of this solution for companies of all sizes. It provides the financial package for service and insurance solutions offered by F2ML, and its dedicated teams provide field support and customer management. PSA Banque France continued to enhance its offer in 2019 in view to adapting to the new behaviour of individuals and corporate customers who want comprehensive mobility solutions. Cars are at the heart of their mobility. But it must be part of their ecosystem which encompasses all means of transport at their disposal. PSA Banque France intends to put in place offers providing solutions for this new behaviour;

- **financing for the dealer network (32% of outstanding loans at 31 December 2019).** Financing solutions are available to the Peugeot, Citroën and DS dealer networks for financing their stock of new and used vehicles, spare parts, as well as other solutions for financing their working capital and their investments;
- **insurance products and services.** An extensive range of services and insurance products intended for end users can be proposed: insurance policies related to financing, such as death/invalidity insurance, unemployment insurance, or financial loss insurance which covers the total loss of the financed vehicle. In addition, the Group also provides insurance policies related to the vehicle, such as car insurance or guarantee extensions for new and used vehicles: assistance services including mobility solutions and additional related services, for example, to the maintenance of vehicles and to the "connected vehicle" offer. In order to support corporate customers, new insurance products covering their business (transported equipment or business interruption guarantees) were put in place in 2019. The "Pay How You Drive" solution is proving to be an outstanding success with individuals. With a view to supporting the arrival of new electric vehicles, a savings top-up solution by the Group based on the number of days for car hire is proposed as a financing contract option: Mobility pass It enables a customer with an electric vehicle to rent a combustion-powered vehicle for long trips and for a defined period;
- **public retail savings.** The *"Distingo par PSA Banque"* retail savings business consists of savings accounts and term deposits. 2019 was marked by a consolidation of PSA Banque France's position on the online savings market. This commercial success also proves the confidence of savers in the growth outlook for both the PSA Group and PSA Banque France, and demonstrates its ability to retain customers.

A. Loan Portfolios

Financing activities and outstanding loans by portfolio are based on the following customer segments:

- end-user loans primarily consist of financing for the acquisition of vehicles by individuals, small and medium-sized businesses and corporate customers (outside the dealer network and their equivalents), either through instalment loans or leasing contracts;
- corporate dealer loans consist of financing the stock of new vehicles, used vehicles, and spare parts granted to the Peugeot, Citroën and DS brand dealer networks. In this segment are also included loans and leases provided to dealers to finance vehicles and equipments used in their everyday activity, financing of working capital requirement, treasury loans, property loans to finance their premises and other types of products, including current accounts.

B. End-user financing

The PSA Banque France Group finances the purchase and leasing, with or without a purchase option, of new and used vehicles by individual customers and companies through Peugeot, Citroën and DS dealer networks. Financing solutions include insurance and services that protect the customer and/or its vehicle.

The great majority of financing is for new vehicles. Financing is also proposed for the purchase of used vehicles of any automotive brand.

In 2019, the PSA Banque France Group supported the launch of the new Peugeot, Citroën and DS models by providing dedicated loyalty offers including financing, insurance, and service packages, in particular through leasing solutions. Free2Move Lease (F2ML) has enabled PSA Banque France to perfect its comprehensive offer through a specialised structure dedicated to Long-Term Leasing of vehicles for companies of all sizes.

Interest rates proposed to customers are generally fixed and administrative fees may be requested.

Promotional offers supported by the Peugeot, Citroën and DS brands may also be made to customers in order to boost vehicle sales or encourage the marketing of certain models. The usual credit-scoring and pricing procedures are also applied to this type of financing.

Marketing and penetration rate

The PSA Banque France Group works closely in a privileged partnership with the Peugeot, Citroën and DS dealer networks. It financed 28.8% of new vehicles registered in France by the historic brands of the PSA Group in 2019.

Financing solutions are marketed through the Peugeot, Citroën and DS dealer networks, with a comprehensive approach in order to propose to end users financing, insurance, and service package with the sale of the vehicle. These solutions are being upgraded after identifying customers' new requirement for simple and easy mobility.

The PSA Banque France Group's information systems are integrated with that of the brands, allowing the dealer network to conduct the negotiation and customer contracting processes with strong responsiveness. This "one-stop shopping" ability is definitely an advantage that is appreciated by customers. Eligible customers can thus obtain a decision on their financing application directly from the dealer. About 90% of requests from individuals and nearly 70% of requests from companies are handled in less than four hours. This integrated information management system is also a key factor in driving down costs and application processing time. The implementation in 2019 of the electronic signature for corporate customers that use finance leasing completes the solution offered to individuals. This approach designed to simplify the customer journey and the interface with the point of sale shows the determination of the PSA Banque France Group to be the partner of choice for its customers.

To support the communication and offers of Peugeot, Citroën and DS on their websites, the PSA Banque France Group has developed tools for simulating available financing on the PSA Group and distribution network sites. Started in 2017, by putting in place an online financing solution with a built-in decision for ordering vehicles available in PSA Group's stock, in 2019, the offer of digital solutions continued with the possibility given to individuals to order their new vehicle and obtain a loan for it online while also maintaining the relationship with a point of sale in the brands' networks.

A diversified range of offers is developed to meet the needs of the Peugeot, Citroën and DS networks and their customers. Its privileged partnership with these brands' commercial networks enables the PSA Banque France Group to develop financing solutions that also include insurance and services, to meet the expectations of end users as closely as possible. The PSA Banque France Group assists Peugeot, Citroën and DS in identifying and designing solutions that will satisfy the expectations of the different targeted market segments, ahead of market trends. The PSA Group is set to become the major partner of its customers' mobility. The PSA Banque France Group develops financing, insurance and services to support this new trend.

Penetration rates are measured by dividing the number of new financing contracts for new Peugeot, Citroën and DS vehicles by the number of passenger cars and utility vehicles registered by the PSA Group for these three brands. The number of new registered vehicles includes vehicles purchased with cash, without financing. The PSA Banque France Group's share in the total of financed Peugeot, Citroën and DS vehicles is significantly higher than the share financed by our competitors (full-service banks or banks specialised in consumer credit).

End-user instalment loans for new and used vehicles

In the vast majority of cases, end-user instalment loans propose fixed monthly payments covering accrued interest and the amortisation of principal. In some cases, customers may also be offered balloon loans, which feature a final monthly payment that is larger than the previous ones. In such cases, the owner of the vehicle financed by the loan has the option to sell his vehicle back to the dealer at the end of the contract for an amount equal to the last "balloon" payment, if a commitment to buy the vehicle back from it was signed by the dealer when the vehicle was sold.

The vehicle may be totally or partially financed. The borrower has the option of making a personal contribution covering a portion of the vehicle price and using financing for the remaining amount. In all cases, the amount of financing cannot exceed 100% of the price of the vehicle, including options and accessories. Many customers (mainly individuals) choose to partially finance the purchase price of their vehicle.

Loan terms typically range from one to six years. Instalments are generally monthly. In some cases it is, however, possible to delay the first instalment for 60 to 90 days. The borrower may early prepay at any time. The customer may be charged a fee in such cases.

Vehicle financing granted by the PSA Banque France Group may come with guarantees, depending on the type of vehicle financed and/or the risk profile of the customer, whether an individual or a company.

The PSA Banque France Group may request a third-party surety. For corporate customers, a pledge on the company or business assets may also be required to secure the financing.

Lease activities to end users

Lease activities include long-term leasing, which is being promoted to corporate customers by Free2Move Lease since 2017; leasing with a purchase option; and finance leases, depending on whether they are retail or corporate customers. All of these different types of leases are recorded as financial leases in the PSA Banque France Group's consolidated financial statements and are included in customer loans and receivables. Leased vehicles are not recorded as fixed assets in the consolidated financial statements prepared according to international accounting standards.

The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end-user customers. Leases are mainly offered for one to five years. The PSA Banque France Group remains the owner of the vehicle throughout the term of the lease. At the end of the contract, the customer has the choice of returning the vehicle or exercising his purchase option. For long-term lease contracts, the dealer or, in some cases, the manufacturer itself commits to repurchasing the vehicle from the PSA Banque France Group when it is returned by the customer at the end of the contract, at a price determined at the inception of the contract. This buy-back value of the vehicle corresponds to the estimated residual value of the vehicle at the end of the rental period. As a result of the vehicle buy-back commitment, the PSA Banque France Group does not bear risk linked to buy-back or any change in its value at the end of the lease (provided that the dealer or manufacturer complies with the buy-back obligation). The amount that the dealer or manufacturer pays to the PSA Banque France Group is not affected by any fees the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. However, the PSA Banque France Group will generally bear the risk on the resale value of the vehicle if during the rental period of the vehicle, the customer interrupts the payment of his rents. The vehicle's buy-back amount set in advance by the dealer or manufacturer may not be enough to offset the loss of payments not made by the customer. The long-term lease contracts therefore include a clause to compensate for the damage caused by the early termination of the contract.

Underwriting, payments and collection

The PSA Banque France Group has established differentiated credit scores for:

- financing on new vehicles or used vehicles;
- financing granted to individuals or corporate customers; and
- different types of financing solutions: loans or leasing.

The data used to assess borrowers' counterparty risk are taken from information and/or documents provided directly by customers and, as applicable, enhanced with data from our internal databases set up from detailed profiles of customers and their payment histories. Information on customers is verified using various databases made available by public organisations (such as the Banque de France). For corporate customers, the PSA Banque France Group uses various sources of public and commercial information to verify their creditworthiness. When the PSA Banque France Group refuses financing applications, it maintains records for 6 months, that will result in automatic alerts if the same customer re-applies for financing.

Instalments and lease payments are generally settled by direct debit or transfer. In cases of non-payment, a second debit order is triggered in order to automatically deal with as many arrears as possible. For residual non-payments, reminder notices are issued or the customer is called within few days after the payment incident, and this process is routinely repeated until the incident is resolved. The PSA Banque France Group uses both in-house amicable collection teams to attempt to resolve such incidents, and an external service provider who supports the in-house team by managing the first steps of the process.

If any unpaid amounts remain outstanding after 65 days, the pre-litigation collection teams take over the management of these payment incidents. Letters are sent to customers, and backed up by phone calls. According to the elements of the case and the information reported by the customer, the collection teams determine the most appropriate solution for the customer's situation in order to collect the unpaid amounts. They may request a specialist to intervene on the field or establish consolidated debt arrangements, and if no other solution is possible, take back possession of the financed vehicle with or without a court order, thereby terminating the contract.

After recovering the vehicle, the PSA Banque France Group implements existing legal procedures (*e.g.* auctions) to sell the vehicle.

For any past-dues exceeding 150 days, the contract is accelerated and the litigation teams will attempt to recover the total financing balance by first attempting an ultimate amicable arrangement with the customers, before launching more binding procedures or repossessing the vehicle if that could not be done previously.

When past-dues remain beyond 48 months, (in case of credit loans), or 24 months, (in case of leasing) after the acceleration of the contract, the litigation teams ask for the intervention of specialised external suppliers to recover the past-dues or, as applicable, proceed with the assignment of the receivables.

C. Financing for the dealer network

The PSA Banque France Group provides financing solutions for stocks of new, demonstration and used vehicles, as well as spare parts, held by dealers in the Peugeot, Citroën and DS networks. In addition to this main activity, other types of financing are also offered to dealers of these brands, to meet their operating (working capital, current accounts, etc.) or investment requirements.

Credit lines may also be granted to dealers to finance their vehicle buy-back obligations in the case of leases and balloon loans: in this case they are used vehicle lines of credit. The financing covers the full buy-back price of the vehicle for the dealers, within the limit of an aggregate amount set for each dealer. Regular and at least annual reviews of the solvency and overall financial position of the dealers are carried out by the PSA Banque France Group so that credit limits can be adjusted if necessary.

D. Insurance products and services

Over the years, the PSA Banque France Group has expanded its range of solutions by offering insurance products and services developed with:

- "PSA Insurance", the insurance business line that has been 50/50 held by Banque PSA Finance and Santander Consumer Finance since 2015. PSA Insurance, in particular, markets personal protection and financial loss insurance products;
- insurance partners who market assistance, used vehicle warranty extension, and automobile insurance plans;
- Peugeot, Citroën and DS for vehicle-related services developed and distributed by the PSA Banque France Group, such as maintenance contracts and connected services.

Thus, the PSA Banque France Group offers to its end users, whether alone or jointly with the financing, a full range of personal and vehicle-related insurance products and services.

The integrated approach to the vehicle's sale, financing, and additional services that are proposed during a single encounter at the vehicle's point of sale makes the automobile offer more appealing to customers. Sales offers that can be bundled, in addition to the services being offered individually, allow for even more competitive terms while providing the customer and the vehicle with optimal protection.

Highly targeted offers have been developed that include financing, insurance, and additional services, such as "Smile & Go" at Citroën and "Peugeot Perspective". Special products have also been designed for used vehicles that include financing, warranty extension, or a maintenance contract, to best meet the customer's need for an "all-in-one" product, with the option of subscribing to each of the items individually if that is their preference. This is the case, for example, with "Give Me 5" for Citroën and "Peugeot Perspectives Occasions".

As for car insurance, the PSA Banque France Group is also building on its offer in line with this “one-stop shopping” strategy by allowing its customers to buy all the vehicle’s products & services, maintenance, and insurance at the vehicle’s point of sale. In 2019, the "Pay How You Drive” connected automotive insurance offer was developed; becoming a genuine sales argument for the sales forces. It is available for the three brands.

In 2019, on the strength of its different lines of insurance products and services, the PSA Banque France Group continued to build on its offer of ancillary products, which play a big part in customer satisfaction and retention as well as its overall profitability. The PSA Banque France Group’s insurance products and services are also included in the Free2Move Lease offer, the dedicated long-term lease solution for company vehicles. 2019 saw PSA Banque France Group begin the process of tailoring its insurance and services offer to meet the mobility needs of PSA Group customers.

E. Retail savings market

In 2015, the PSA Banque retail savings activity targeted to French customers was transferred to the PSA Banque France Group by Banque PSA Finance, which directly managed the activity until that date. Managing the retail savings business now enables PSA Banque France to compete in the online savings market while at the same time diversifying its sources of financing. Passbooks and fixed-rate term deposits are intended only for savers who are private individuals and tax residents of France.

1.1.2.3 POSITIONING

The status of the PSA Banque France Group, the French bank for Peugeot, Citroën, and DS brands, allows a close partnership with their dealer network and naturally gives it a privileged positioning. Consequently, the Group is able to meet the financing needs of customers at the sales points, in close relationship with the business models of the PSA Group’s historic brands. Furthermore, the PSA Banque France Group stands apart from its competitors by virtue of the specific nature of the products and services it offers to end users through its “one-stop shopping” solutions. With these products and services, designed cooperatively with Peugeot, Citroën, and DS, each customer’s needs can instantly be met at the point of sale. This close relationship with the brands enables the PSA Banque France Group to support PSA Group deploy its policy as a major player in its customers’ mobility.

Peugeot, Citroën and DS dealers are not contractually bounded to use the PSA Banque France Group for their corporate dealer or customer financing. This means that the PSA Banque France Group must compete with its main competitors, being commercial banks, consumer credit institutions and professional hire companies, in these two business segments. Moreover, the option given to end-user customers to purchase their vehicle in cash or with an unsecured loan (such as a personal loan) is another form of competition.

1.1.2.4 EMPLOYEES

At 31 December 2019, the overall workforce of the PSA Banque France Group stood at 797 employees (excluding work-study), or the full-time equivalent of 772.1 employees with an additional 49 apprentices on fixed-term contracts. New hires arrived in 2019 to support the PSA Banque France Group’s growth in particular in the Operations Department for risk analysis and loan granting.

1.1.2.5 REAL ESTATE

The PSA Banque France Group does not own any real estate, neither for its registered office nor for its agencies, which are rented.

1.1.2.6 LEGAL PROCEEDINGS AND INVESTIGATIONS

The PSA Banque France Group complies with applicable laws and regulations. Most of legal proceedings consist of disputes relating to non-payments by end-user customers and, to a lesser extent, by dealers, in the course of its day-to-day financing activities.

1.2 ANALYSIS OF OPERATIONAL RESULTS

The majority of the PSA Banque France Group's business consists in providing financing solutions for the acquisition of new and used vehicles of Peugeot, Citroën and DS brands by retail and corporate customers, and financing vehicles and spare parts inventory for Peugeot, Citroën and DS dealers. The PSA Banque France Group's net banking revenue is derived primarily from net interest income on customer loans and leases. The sale of insurance products and other services offered to customers of the three automotive brands also contributes to its net banking revenue.

The PSA Banque France Group's operating income for 2019 stood at €333 million, compared to €322 million in 2018.

1.2.1 Vehicle sales of Peugeot, Citroën and DS

In 2019, sales of passenger vehicles and light utility vehicles by the PSA Group (excluding Opel) in France rose by 2.9% to 801,066 units, which means the PSA Group remains the leader in the French market with a market share of 29.7% (32.5% including Opel).

Peugeot is slightly down on the previous year with passenger vehicles sales down by 2.6% for a total of 379,582 units, despite four models among the 10 best-selling models in France: the Peugeot 208 (3.9% market share), the best-selling vehicle in France in 2019, the Peugeot 3008 (3.3%), which fell one place on the previous year, ranked in the fourth position among the best-selling vehicles in France, the Peugeot 2008 (2.7%) and the Peugeot 308 (2.5%). Light utility vehicles sales reached 85,359 units, up 8.7%.

Meanwhile, Citroën registered 309,101 cars in France in 2019, a 7.9% increase on the previous year, breaking down into 235,110 passenger vehicles and 73,991 light utility vehicles. In the passenger car category, the C3 moved up to second place in France for cars sold during the year with a market share of 3.6% (two places higher than in 2018).

With 26,845 passenger vehicle registrations at end 2019, DS posted a very significant increase in sales of 11.8% compared to 2018 and a market share of 1.2% for passenger cars.

1.2.2 Commercial activity of the PSA Banque France Group

1.2.2.1 END-USER FINANCING

Over the 2019 period, the PSA Banque France Group saw an increase of 2.0% in financing volumes for new and used vehicles to end users, rising from 314,639 to 320,791 financing contracts subscribed, for a total production of €4,552 million, up by 7.9% compared to 2018. The largest increase in new loans related to the number of vehicles financed is explained by a €780 increase in the average financed amount consistent with the trend in 2018 with the move upmarket of PSA Group vehicles.

New vehicle penetration stood at 28.8% in 2019, down 0.4 points on 2018: penetration fell by 1.2 points in the corporate segment, while it increased sharply for individuals (+3.1 points), but in a less favourable market.

The PSA Banque France Group financed 230,409 new vehicles of PSA Group in 2019, through loans or lease contracts, an increase of 1.3% compared to 2018.

Corporate financing increased by 7.9% (+7,144 units) compared to 2018 whereas PSA Group registrations in this market rose by 12% (+10.9% excluding hire companies).

Refinancing conditions combined with the strategy of the PSA Group's brands as well as the strong interest of individuals in the new Peugeot, Citroën and DS models stimulated requests for the Group's financing solutions, particularly leases with a purchase option (9.1% increase in 2019 concerning the production of leasing with a purchase option/finance leases).

Lastly, used vehicle financing increased versus 2018 with 90,382 units (+3.7%), in line with the used vehicle market (+2.8%).

The tables below show the main indicators of the PSA Banque France Group's end-user financing activity in 2019.

PRODUCTION OF NEW END-USER FINANCING FOR NEW AND USED VEHICLES

	31 December 2019	31 December 2018	Change %
Number of new contracts	320,791	314,639	+2.0
Amount of production *(in million euros)*	4,552	4,219	+7.9

OUTSTANDING LOANS TO END USERS

(in million euros)	31 December 2019	31 December 2018	Change %
Outstanding loans	9,202	8,136	+13.1

1.2.2.2 DEALER NETWORK FINANCING

In 2019, the outstanding loans granted to Peugeot, Citroën, and DS dealer networks were up compared to 2018 thanks to a resolutely bullish car market and a favourable positioning for the PSA Group's vehicle models. In addition, the PSA Group's brand policy was to transfer a growing number of outlets or dealerships held directly by the PSA Group to independent investors. The latter are financed by the PSA Banque France Group, while dealers controlled by the PSA Group receive financing directly from the PSA Group.

Outstanding loans made to the dealer network rose by 17.5% in 2019 compared to 2018.

The table below shows the outstanding loans granted to dealers at the end of 2019 and 2018.

TOTAL OUTSTANDING LOANS TO DEALER NETWORK

(in million euros)	31 December 2019	31 December 2018	Change %
Outstanding loans	4,322	3,677	+17.5

1.2.2.3 INSURANCE AND SERVICES

In 2019, the number of insurance and service contracts increased slightly, by 0.1%, compared to the previous year, with 698,236 new contracts subscribed compared to 697,709 in 2018.

The PSA Banque France Group sold an average of 2.1 insurance or service contracts to each customer having subscribed to a financing, which is comparable to the previous year.

While there was an overall increase insurances in 2019, sales of insurance contracts linked to financing continued to fall. A change in customer behaviour towards insurance is identified; the PSA Banque France Group will propose offers that will be tailored to meet these new expectations.

The tables below show the main indicators for the PSA Banque France Group's insurance and services business in 2019 and 2018.

PRODUCTION OF NEW INSURANCE AND SERVICE CONTRACTS

(in number of contracts)	31 December 2019	31 December 2018	Change %
Financing-related insurances	332,432	339,006	(1.9)
Car insurance and vehicle-related services	365,804	358,703	+2.0
TOTAL	**698,236**	**697,709**	**+0.1**

PENETRATION RATE ON FINANCING

(in%)	31 December 2019	31 December 2018	Change %
Financing-related insurances	101.5	105.8	(4.3)
Car insurance and vehicle-related services	111.8	111.9	(0.1)
TOTAL	**213.3**	**217.7**	**(4.4)**

1.2.2.4 RETAIL SAVINGS MARKET

The *"Distingo par PSA Banque"* online savings activity was acquired by the PSA Banque France Group on 1 April 2015, demonstrating the Group's intention to diversify its sources of funding. This activity used to be managed directly by Banque PSA Finance (50% shareholder of PSA Banque France). It is characterised by a high propensity to win new customers and retain existing ones, particularly through the success of the term deposit account and the objective of financing the real economy.

Deposit outstanding increased by 14.8% over 2019, reaching €2,585 million at the end of the year, representing an increase of €334 million compared to the end of 2018.

Outlook for end of year 2020 is based on a sound foundation which makes use of marketing techniques as well as efficient and reliable organisation. Furthermore, customer satisfaction surveys continue to have excellent results.

SAVINGS BUSINESS

(in million euros)	31 December 2019	31 December 2018	Change %
Outstandings	2,585	2,251	+14.8%

1.

1.2.3 Results of operations

NET INCOME

(in million euros)	31 December 2019	31 December 2018	Change %
Net banking revenue	**529**	**492**	**+7.5**
of which end users	365	327	+11.6
of which dealer network	59	63	(6.3)
of which insurance and services	120	110	+9.1
of which unallocated and other	(15)	(8)	87.5
General operating expenses and equivalent	**(159)**	**(156)**	**+1.9**
Cost of risk	**(37)**	**(14)**	**164.3**
of which end users	(37)	(23)	+60.9
of which dealer network	0	9	(100)
Operating income	**333**	**322**	**+3.4**
Other non-operating income	0	(1)	(100)
Pre-tax income	**333**	**321**	**+3.7**
Income taxes	(79)	(103)	(23.3)
NET INCOME	**254**	**218**	**+16.5**

1.2.3.1 NET BANKING REVENUE

Net banking revenue increased by 7.5% to €529 million at 31 December 2019, compared to €492 million at 31 December 2018.

This increase is essentially the result of a significant increase in outstanding loans both to end users and to dealer networks as well as a reduced funding cost thanks to the partnership between Banque PSA Finance and Santander Consumer Finance as well as the diversification of funding sources, the decrease in base rates and recognising interest revenue on TLTRO-II and TLTRO-III transactions. The margin obtained on insurance and services also helped to drive up net banking revenue which in 2019 gained €10 million against the previous year, to stand at €120 million.

1.2.3.2 GENERAL OPERATING EXPENSES

General operating expenses and equivalent reached €159 million at 31 December 2019, against €156 million at 31 December 2018. This increase, which was limited to €3 million, is a satisfactory result for 2019, given the increase in net banking revenue and the overall outstanding amount of financing. Indeed, cost to income ratio improves from 31.7% to 30.1%.

1.2.3.3 COST OF RISK

The cost of risk in 2019 stood at €37 million, representing 0.31% of average net outstanding loans, against €14 million in 2018, representing 0.13% of average net outstanding loans. All of the performing and non-performing loans were provisioned.

The cost of risk on the end-user financing activities stood at €37 million in 2019 against €23 million in 2018, a year which saw a positive impact of +€8.8 million following the sale in July 2018 of a portfolio of loans fully written off and provisioned. In 2019, the cost of risk was marked by the updating of the parameters for calculating provisioning rates for an overall negative amount of €1 million.

For dealer network financing activities, the cost of risk is zero, whereas it stood at a positive amount of €9 million at the end of 2018 thanks to a reversal of provisions of €12 million following the exit from non-performing status of a group of dealers who was bought out in the first half of 2018. The result in 2019, zero, was due to close monitoring of existing defaults and the collection process applied as well as the low number of dealers in default during the period.

1.2.3.4 CONSOLIDATED INCOME

At 31 December 2019, the pre-tax income of the PSA Banque France Group stood at €333 million, up 3.4% from 31 December 2018. The consolidated net income for 2019 was €254 million.

The effective corporate tax rate decreased to 23.4% of taxable earnings, against 32.0% for 2018. Since 2018, the corporate income tax rate has been 34.43% with the tax burden being reduced by the reassessment of the deferred tax liabilities inventory (impact of €39.8 million in 2019, €12.2 million in 2018 and €1.9 million in 2017) following the reduction in tax rate as per the 2019 French Finance Act (see Note 27.3 – PSA Banque France Group tax proof). The tax burden for 2019 was €79 million.

1.3 FINANCIAL SITUATION

1.3.1 Assets

Total assets of the PSA Banque France Group as of 31 December 2019 stood at €15,362 million, up by 16.8% compared to 31 December 2018.

Total outstanding financing came to €13,524 million, a 14.5% increase over 31 December 2018. End-user loans were up 13.1%, while dealer network financing increased by 17.5%.

1.3.2 Provisions for non-performing loans

Impairment losses are deducted from the carrying value of loans and receivables as they are recorded, as soon as there is a revealing index of risk. The procedures for the recognition of impairment charges on outstanding loans are described in Note 2.C.4.4. When a loan or receivable is considered definitively unrecoverable, it is written off as a loss on the income statement. Any provision for previously-recognised impairment loss is then also reversed through the income statement. If collections are made on receivables after their write-off, these will also be entered as revenue on the income statement. All of these transactions are recognised in the income statement under the cost of risk heading.

The table shown in Note 26.1 details all loans, including sound loans with past-due instalments (delinquent loans) and non-performing loans with their related impairment amounts, as at 31 December 2019 and 2018.

IFRS 9

On 1 January 2018, PSA Banque France adopted IFRS 9, which changed its financial asset impairment method.

The current impairment model is based on an estimate of "expected credit losses". This model is based on the risk parameters such as probability of default (PD) or loss given default (LGD). Impairments are classified into three levels or "stages" in accordance with the principles of the IFRS 9 standard:

- "Stage 1" contains assets without risk deterioration or with an insignificant risk deterioration since origination. Impairment of receivables in stage 1 is the amount of one-year expected losses;
- "Stage 2" contains assets with a significant risk deterioration since origination. Therefore, the amount of allocated provisions will be the amount of expected losses over the remaining term of the assets;
- "Stage 3" contains assets with an objective evidence of loss as for example non-performing loans. Impairment of these assets will aim at covering expected losses over the remaining term.

The main changes impacting PSA Banque France Group after IFRS 9 implementation are:

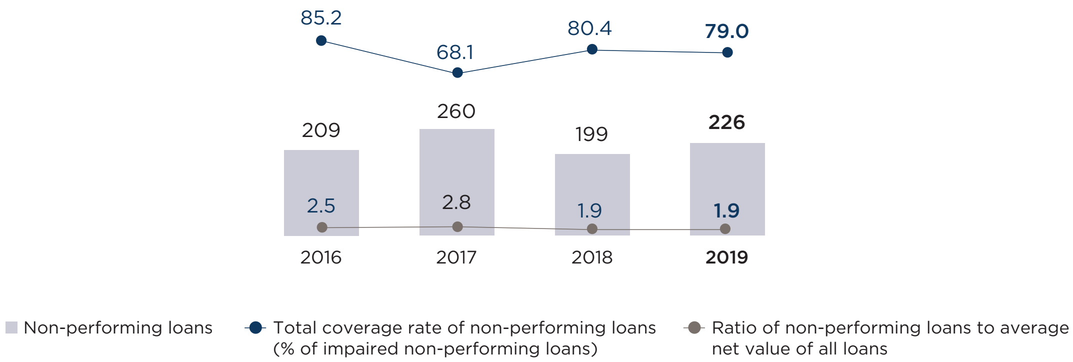
- provisioning of assets throughout their residual life, once there is a significant risk deterioration;
- creation of a "stage 2" assessing outstanding for Corporate loans, with the aim to define specific provision for assets whose credit risk was significantly downgraded. It should be noted that there was already a similar approach, though based exclusively on the age of the past-due items, to the retail and SME loan portfolio;
- the use of a forward-looking approach, for estimating the expected loss.

Even though, conceptually and operationally, IFRS 9 makes many changes, the financial impact remains relatively limited, mainly because the PSA Banque France Group's sound loans were already subject of impairments, booking the corresponding expected loss amounts.

For financing to individuals and small and medium-sized businesses, statistical impairment charges are recorded in respect of all debt categories (sound, delinquent, and non-performing) according to the impairment model based on an estimate of expected credit losses. This estimate is based on the classification of receivables by "stage" and the associated risk parameters.

In addition, for dealer network financing and corporate financing, each delinquent loan is analysed to determine if it presents an aggravated risk situation. If so, the loan is classified as non-performing (stage 3) and impairment charges are recorded on the income statement. Statistical impairment of sound or delinquent loans is also carried out on all corporate portfolios in order to cover the expected losses as per the risk assessment model.

NON-PERFORMING LOANS ON THE TOTAL PORTFOLIO
(in million euros, except percentage)



In 2019, the rise in non-performing loans was mainly due to end users, in consequence of a less favourable macro-economic environment than in 2018 with an increase in past-due instalments for individuals and a rise in the number of insolvency proceedings concerning SMEs. On the Retail portfolio, this change is also explained by the application of the default contagion rule in compliance with an ECB recommendation. The customer profile risk remains favourable with the average non-performing loan rate steady at 1.9%.

The total coverage rate of non-performing loans decreases compared to 2018 mainly due to the implementation of new provision models for SMEs in addition to changes made to the IFRS 9 provisioning parameters of other customer categories. It should be noted that this rate is almost 100% on retail and SME portfolios, whereas the loans resulting from financing for the dealer network do not require as high a provisioning rate, given that the PSA Banque France Group retains ownership of the vehicles in stock during the financing period and due to the dedicated monitoring of dealer network financing activities.

Furthermore, while only considering provisions on "stage 3" receivables, the average coverage rate of total non-performing loans is 56% at 31 December 2019 compared to 54% at 31 December 2018.

1.3.3 Refinancing policy

The PSA Banque France Group has an adequate capital structure which results in a solid capital ratio strengthened by the quality of its assets.

The refinancing strategy of the PSA Banque France Group is based on diversifying its sources of liquidity, while ensuring that the maturities of its assets and liabilities are consistent. Since the creation of the partnership between Banque PSA Finance and Santander Consumer Finance in early 2015, the PSA Banque France Group had the opportunity to secure different sources of funding:

- on 2 February 2015, the day of the joint venture establishment in France, the financing granted by Banque PSA Finance to the entities of the PSA Banque France Group has been substituted by that provided by Santander Consumer Finance, in addition to the current financing provided by securitisation transactions publicly or privately placed among investors;
- on 1 April 2015, the *"Distingo par PSA Banque"* deposit business (retail savings accounts and term deposit accounts) covering French customers has been transferred by Banque PSA Finance to PSA Banque France;
- from June 2015, bilateral credit lines were established with various banks;
- since September 2015, the PSA Banque France Group as an approved credit institution has access (through the remittance of assets as collateral by its subsidiary CREDIPAR) to the refinancing operations of the European Central Bank (ECB);
- in June 2016, issuance programmes of negotiable debt securities (short and medium-term) and medium-term notes (EMTN) were launched to allow access to the capital markets. The first negotiable debt securities of the PSA Banque France Group were issued at the end of the first half of 2016 and the first EMTN bond issue was launched in January 2017. Five bonds issued in an amount of €500 million each have been placed so far;
- in July 2016, a securitisation programme was set up for leases with a purchase option, followed in July 2017 by a securitisation programme of long-term leases. In November 2018, a public securitisation transaction for leases with a purchase option was placed on the markets.

At 31 December 2019, the refinancing of the PSA Banque France Group was split as follows:

- 4% came from drawn bank loans;
- 29% from negotiable debt security issuances and the five EMTN bond issues on the capital markets;
- 20% from repayable funds from the public in relation to deposit activity;
- 18% from securitisation transactions;
- 13% from other external refinancing, of which 10% from the European Central Bank (participation in the TLTRO-II and TLTRO-III programmes);

- 15% from intra-group bank credit lines granted by Santander Consumer Finance;
- 1% of subordinated debt subscribed in equal parts by each of the two shareholders.

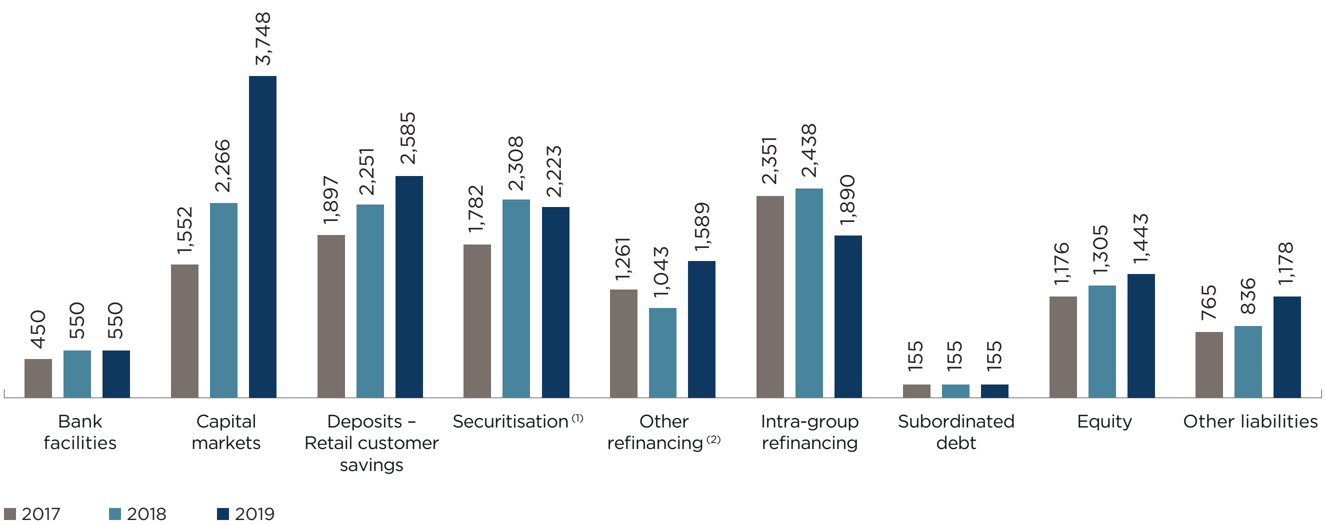
The following table and graphs show a breakdown of the financing sources at 31 December 2019 compared to 31 December 2018 and 31 December 2017.

FUNDING SOURCES

(in million euros)	31 December 2019		31 December 2018		31 December 2017	
Bank facilities	550	4%	550	5%	450	5%
Capital markets	3,748	29%	2,266	21%	1,552	16%
Deposits – Retail customer savings	2,585	20%	2,251	20%	1,897	20%
Securitisation(1)	2,223	18%	2,308	21%	1,782	19%
Other refinancing(2)	1,589	13%	1,043	10%	1,261	13%
External funding	**10,695**	**84%**	**8,418**	**77%**	**6,942**	**73%**
Intra-group funding	**1,890**	**15%**	**2,438**	**22%**	**2,351**	**25%**
Subordinated debt	**155**	**1%**	**155**	**1%**	**155**	**2%**
Equity	**1,443**		**1,305**		**1,176**	**-**
Other liabilities	**1,178**		**836**	**-**	**765**	**-**
BALANCE SHEET TOTAL	**15,362**		**13,153**	**-**	**11,390**	**-**

(1) securitisation only includes the securitisations placed on the market.
(2) of which refinancing through the ECB (participation in TLTRO-II and TLTRO-III) for a total of €1,300 million at 31 December 2019 and dealer deposits.

FUNDING SOURCES
(in million euros)



Outstanding bank loans (as bilateral bank credit lines fully drawn) stood at €550 million at 31 December 2019.

Outstanding debt on capital markets increased to €3,748 million at 31 December 2019 after the fourth and fifth bond issues under EMTN programme in April and June 2019.

The assets of the retail savings activity stood at €2,585 million.

At 31 December 2019, the PSA Banque France Group's refinancing through securitisation was based on five transactions totalling €5,099 million in receivables sold to securitisation vehicles (see Note 6.4 of the consolidated financial statements):

- the Auto ABS French Loans Master monthly issuance programme, restructured in June 2019 with an AAsf/Aa2sf rating target for an additional 4-year revolving period;
- the Auto ABS French Leases Master Compartment 2016 monthly issuance programme, in its revolving period;
- the Auto ABS DFP Master Compartment France 2013 monthly issuance programme, an amendment of which in November 2019 brought forward the end of its revolving period to May 2020;
- the Auto ABS French LT Leases Master monthly issuance programme, launched in July 2017, of which the revolving period was extended for 2 years in June 2019 and the STS qualification was notified;
- the Auto ABS French Leases 2018 public offering having issued and placed in November 2018, €450 million senior securities, rated AAAsf/Aaasf and €60 million mezzanine securities rated A(high)sf/A1sf, in its amortisation period since June 2019.

Financing from securitisation transactions in the market was down slightly to €2,223 million at 31 December 2019.

Furthermore, the PSA Banque France Group benefits from collateralised financing obtained from the European Central Bank under the TLTRO-II and TLTRO-III refinancing operations, for a total of €1,300 million (see Note 11 of the consolidated financial statements).

1.3.4 Liquidity security

The PSA Banque France Group is seeking the most relevant balance between security in terms of liquidity and optimisation of its refinancing costs. It borrows the resources required for its business continuity and balances assets and liabilities by managing exposure to interest rate risk through the use of interest rate swaps.

At 31 December 2019, financing with an original maturity of 12 months or more represented over 70% of financing.

The average maturity of medium and long-term financing raised in 2019 was over an average of 2.7 years, in particular with the fourth and fifth EMTN bond issues with a respective 3 and 5-year maturity and the participation from September onwards in the TLTRO-III refinancing transactions with a three-year maturity.

Bank credit lines used as of 31 December 2019 do not require specific obligations in terms of the constitution of sureties, default event and similar terms, beyond standard market practices. Three events could trigger the cancellation of these credit lines:

- if Banque PSA Finance and Santander Consumer Finance do no longer directly or indirectly hold 50% each of the shares of PSA Banque France;
- the loss by the PSA Banque France Group of its status as a bank;
- non-compliance with the regulatory level for the Common Equity Tier One ratio.

In addition, the PSA Banque France Group has:

- sound financial security, which is based on the support of Santander Consumer Finance;
- a €420 million liquidity reserve at 31 December 2019, in the form of high-quality liquid assets, composed exclusively of reserves with the Central Bank, and thus Level 1, under the Liquidity Coverage Ratio (LCR) classification;
- the possibility of additional drawing from the European Central Bank of €835 million based on assets brought as collateral (composed of senior notes of securitisation, self-retained by CREDIPAR and of eligible credit claims remitted through TRICP channel, see Note 19 of the consolidated financial statements).

At 31 December 2019, the PSA Banque France Group had €677 million in financing commitments granted to customers and €6 million in guarantee commitments to customers (see Note 19 of the consolidated financial statements).

1.3.5 Credit ratings

On 28 December 2018, Standard & Poor's Global Ratings upgraded PSA Banque France's credit rating from BBB to BBB+ along with a stable outlook. On 15 April 2020, Standard & Poor's Global Ratings revised the outlook on the PSA Banque France's credit rating to negative from stable and affirmed the BBB+ rating.

On 29 May 2019, Moody's Investors Service upgraded PSA Banque France's long-term credit rating to A3, with a stable outlook.

The rating of the PSA Banque France Group takes into account the support of both Santander Consumer Finance and PSA Group as well as the level of activity and profitability, and its own financial structure.

Any update of this rating, whether positive or negative, may affect the bank's ability to obtain financing on the market in the short, medium, and long term.

CREDIT RATINGS AS AT 31 DECEMBER 2019

(in million euros)		Active Programmes	Programmes size at 31 December 2019	Outstanding at 31 December 2019
Moody's	**S&P**	**Short term**		
P2	A-2	CD/NEU CP	2,000	915
		Long term		
A3	BBB+	BMTN/NEU MTN	1,000	333
A3	BBB+	EMTN	4,000	2,500

1.3.6 Outlook for 2020

After a successful 2019 year for the PSA Banque France Group, 2020 could be a more uncertain year, due to the exceptional situation linked to the COVID-19 health crisis. However, in this uncertain context, it will continue to roll out its four current ambitions:

- ambition No. 1: become established as the most mobile and innovative brand finance company;
- ambition No. 2: prioritise customer retention and satisfaction;
- ambition No. 3: succeed with motivated and committed teams;
- ambition No. 4: deliver lasting, profitable growth.

2020: the arrival of the first electric vehicles in the brands' ranges. The PSA Group has chosen two solutions to electrify its ranges: all-electric and plug-in hybrid.

In 2020, the PSA Banque France Group will be developing simple solutions dedicated to these new drive system methods. The philosophy is to adapt and develop the offering without revolutionising it to ensure customers and sales forces avoid losing their bearings. This will ensure the PSA Group is supported in the customer transition process. Individuals and Corporate customers are looking for an ecosystem in which mobility is easy, including all means of transport available with cars playing the central role.

Mobility as a Service – MaaS is the concept that will be put in place, together: the PSA Group and the PSA Banque France Group are set to become major partners in the mobility of their individual and corporate customers.

In 2020, the PSA Banque France Group foresees a decline in the new vehicle registrations in France, probably substantial, the PSA Group having had to close its factories in Europe with the COVID-19 crisis and lockdown measures. Nevertheless, it will be able to rely on certain elements that remain positive, thanks, in particular, to the actions that will be undertaken:

- developing leasing solutions with a purchase option on used vehicles so as to expand the product range, absorb loyalty-building product returns and support the network on this buoyant used vehicle market. From the start of the year there are plans to offer widespread training in new generation loyalty-building offerings to sales teams in the networks; A first major awareness campaign had already taken place at the beginning of 2019;
- the conclusions of the study conducted by the PSA Group in 2019 enabled the presentation of a project concerning the transfer of the business of the Gennevilliers Banking Centre towards the PSA Poissy "*Centre d'Expertise Métiers et Régions* (CEMR)" (Business and Regions Centre of Expertise). This project will be completed in 2020, enabling the Gennevilliers banking teams to join forces with the Commerce France teams already located at CEMR of Poissy as well as the CREDIPAR banking team in charge of long-term leases which was already based on the site. This project, in addition to streamlining the PSA Group's tertiary facilities in Greater Paris will also increase its efficiency in terms of conducting operations by favouring teamwork, cross-cutting approaches and close relationships between teams;
- within the framework of technological, societal and regulatory developments, CREDIPAR will forge ahead with its digital transformation through the e-signature of BtoC and BtoB financial contracts and the drive towards a paperless inflow system including mail, written financing contracts, invoices and checks. This project will be consistent with the strategic programme of a more mobile and innovative financing company enabling it to be more agile and efficient in terms of work processes and organisation. In addition, automation projects are also planned in order to develop missions with greater added value;
- finally, drawing on a robust, diversified financing structure, the PSA Banque France Group will ensure the risk level is kept low, particularly through changes to the scoring of used vehicles and corporate customers.

By continuing its transformation, the PSA Banque France Group will be in a position to meet the technological and competitive challenges of the future and those unprecedented of the COVID-19 health crisis, and ensure it can meet new expectations concerning mobility and services, the Mobility as a Service – MaaS concept being the solution that PSA Banque France Group will be providing to its customers.

1.4 RISK FACTORS AND REGULATORY CAPITAL ADEQUACY – PILLAR III

This section of the management report presents the main risks to which the PSA Banque France Group is exposed in the course of its business activities that could, according to its estimates if they occur, have a material adverse impact on its business, profitability and financial position, solvency or ability to refinance itself. Information on the PSA Banque France Group's risk appetite is provided, as well as the systems for monitoring and controlling those risks.

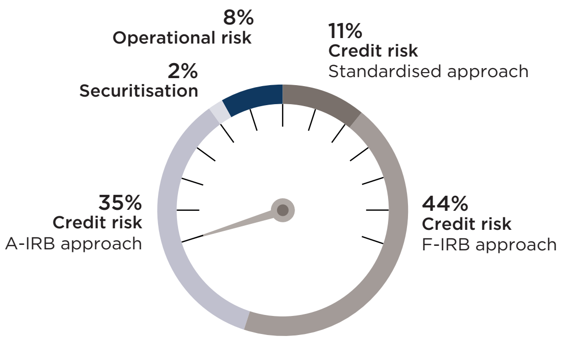
The purpose of this section is to respond to:

- the reporting obligations under Part 8 of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms (CRR);
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD IV);
- the EBA guidelines on disclosure requirements under Part 8 of the CRR (EBA GL-2016-11) to improve the comparability of information provided by credit institutions under the Third Pillar of the Basel Committee's agreement on market discipline;
- the Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 relating to disclosure of encumbered and unencumbered assets;
- Regulation (EU) 2017/1129 of the European Parliament and Council of 14 June 2017 on the prospectus to be published when securities are admitted to trading on a regulated market (Prospectus 3);
- the ESMA guidelines on the new format of risk factors that issuers will then have to publish in their prospectus (ESMA 31-62-800).

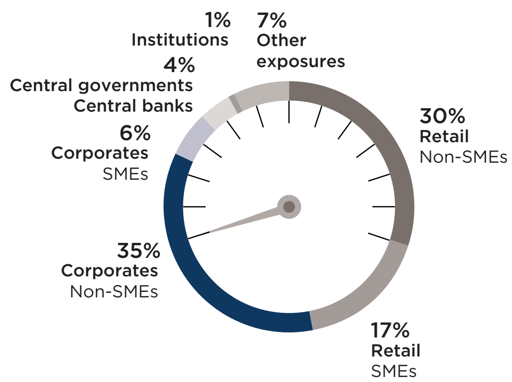
The Pillar III information is published annually, but key indicators are to be reported half-yearly (Article 492 of the CRR). No significant, sensitive or confidential information is omitted in this respect (Article 432 of the CRR).

The main categories of risks specific to the PSA Banque France Group's business activities can be assessed using weighted assets or specific indicators, as for liquidity risk.

REGULATORY CAPITAL REQUIREMENT BY TYPE OF RISK
(as a % of total 2019 RWA: €9,859 million)



EXPOSURES BY TYPE OF COUNTERPARTY
(as a % of total 2019 RWA: €9,859 million)



Prudential ratios	31/12/2019
> CET1 ratio	12.3%
> Total capital ratio	13.8%
> Leverage ratio	7.6%
	2019 (average)
> Short-term liquidity coverage ratio (LCR)	122%

Profitability	31/12/2019
> Return on assets (ROA)*	1.7%

* *ROA calculated by dividing net income by the balance sheet total (Article 90.4 CRD IV)*

1.4.1 Risk factors

The PSA Banque France Group is exposed to various risk factors due to its status as a credit institution operating in the banking and automotive sectors, changes in the economic and financial environment in which it operates, and changes in the legislative and regulatory framework applicable to it.

The risks specific to its business are therefore presented below in four categories with three levels of severity (low, medium, high risk), in accordance with the new provisions of Article 16 of Regulation (EU) 2017/1129 (Prospectus 3) of 14 June 2017 applicable to risk factors since 21 July 2019. Within each category, the risks that the PSA Banque France Group currently considers to be the most material are listed first, based on an assessment of their probability of occurrence and potential impact, while including (where possible) quantitative information relating to those risks. Risk management policies were taken into account in the assessment of the materiality of various risks.

Risks related to the environment in which the PSA Banque France Group operates that could affect the development of its business	Severity level
1. Risk associated with the PSA Group's business activities	High
2. Risk associated with the competitive environment	Medium
3. Legal, regulatory and tax risks	Medium

Credit and counterparty risks	Severity level
4. Credit and concentration risks	Medium
5. Counterparty risk	Low

Financial risks	Severity level
6. Liquidity and funding risk	Medium
7. Risk associated with the funding cost	Medium
8. Interest rate risk	Low

Operational and non-compliance risks	Severity level
9. Risk associated with information systems, cyber security, data protection and business continuity	Medium
10. Fraud risk	Medium
11. Non-compliance risk	Medium
12. Reputation and image risk	Low

RISKS RELATED TO THE ENVIRONMENT IN WHICH THE PSA BANQUE FRANCE GROUP OPERATES THAT COULD AFFECT THE DEVELOPMENT OF ITS BUSINESS

This category of risks includes risks associated with the economic and financial environment, market conditions and the legislative and regulatory framework applicable to the PSA Banque France Group with respect to compliance with the regulations and laws governing its banking activities or ethical standards.

Refer to Section 1.4.3 "Capital management and regulatory capital adequacy" for more information on the PSA Banque France Group regulatory capital requirements relating to its banking activities under Basel III prudential regulation.

1. The PSA Banque France Group's operating income and financial position depend on the business and strategy of the PSA Group and are primarily based on the vehicle sales volumes of the Peugeot, Citroën and DS brands, which the PSA Banque France Group finances, and on the marketing policies of those brands.

As the PSA Group's finance company in France, the PSA Banque France Group's predominant activity consists of financing the sales of Peugeot, Citroën and DS brands vehicles, which account for almost 80% of its net banking income in 2019, with the remainder coming from insurances and the related services it offers. It financed 28.8% of new vehicles registered in France by the three historic brands of the PSA Group in 2019. The PSA Banque France Group's business is closely dependent on the PSA Group's activity and, among other things, on its ability to sell vehicles (i.e. the sales volumes achieved by the Peugeot, Citroën and DS brands, and on their marketing policies, which may also include the financing operations carried out by the PSA Banque France Group).

Consequently, the PSA Banque France Group may be affected by the same category of risks to which the PSA Group is exposed (i.e. the macroeconomic and geopolitical environment in France and abroad, supplier risks, industrial risks, climate change risks, the risk of epidemics and pandemics that would partially or totally paralyse its activities, etc.).

> The COVID-19 coronavirus pandemic that is raging all over the world is affecting the production and selling activities of the PSA Group with the implementation of temporary emergency measures to respond specifically to the threat of coronavirus proliferation, such as the shutdown of all of its European plants or the containment measures that came into effect on 17 March 2020 in France.

Any unfavourable impact on the PSA Group's business in France related to the materialisation of those risks will have material repercussions on the level of activity of the PSA Banque France Group, and therefore on its operating income and financial position *(for more details, refer to the description of the risks to which the PSA Group is exposed in its 2019 Universal Registration Document)*.

The PSA Banque France Group's business relies significantly on the PSA Group's ability to develop and launch new vehicles while being able to market them. In this regard, the PSA Banque France Group prepares its business plan on the basis of the PSA Group's sales forecasts. However, the decision to develop new vehicle models and launch them is based on marketing and profitability studies carried out several years before their actual launch. Against the backdrop of an increasingly sensitive and competitive automotive market, the PSA Group's forecasts could turn out to be less realistic, which would alter the level of activity of the PSA Banque France Group in the future.

The sales volumes generated by the PSA Group's brands could be affected by a change in the product mix in favour of certain vehicles, the competitive selling price of those vehicles and consumer demand for the purchase or leasing of new or used vehicles. In addition to these factors, vehicle sales volumes could be impacted by government policies designed to encourage the purchase of new vehicles, electric vehicles in particular. Lastly, the PSA Banque France Group's business depends on consumer demand for financing vehicle purchases. In addition, the PSA Group, through its wholly-owned subsidiary Banque PSA Finance, is involved in the decisions of the PSA Banque France Group, including development plans, marketing strategies and product offerings. Some members of the PSA Banque France Group's Board of Directors are also executive officers of Banque PSA Finance, such as the Chairman of its Board of Directors, who is also Chief Executive Officer of Banque PSA Finance. Although it is commercially integrated into the PSA Group with the resulting significant advantage for the PSA Banque France Group, it is possible that the interests and strategies of the two entities may ultimately diverge.

Consequently, the strategic, commercial and financial links between the PSA Group and the PSA Banque France Group and the concentration of the PSA Banque France Group's activity on financing the sales of the PSA Group's three historical brands mean that its business is highly dependent on the PSA Group. This exposes it indirectly to external factors that affect the PSA Group.

2. Increased competition in the business sector in which it operates could adversely affect the PSA Banque France Group's operating income and financial position.

The PSA Banque France Group operates in the banking sector in a highly competitive environment, especially in terms of financing, whether in the form of loans or leases, granted to individuals or companies. The PSA Banque France Group's main competitors are other automotive manufacturer financing companies, banking subsidiaries and, more recently, independent players.

The PSA Banque France Group has longstanding partnerships with dealers in the PSA Group network, but those dealers may no longer continue to encourage the financing of vehicle purchases by their customers through the PSA Banque France Group. If the PSA Banque France Group was unable to maintain these partnerships because of competition from other players, this could affect its business volume and therefore its operating income.

In competition with well-established financial institutions, the PSA Banque France Group is convinced that price, as well as the level and quality of service and the strength of its customer relationships, are major competitive advantages.

PSA Banque France Group competitors, a number of which are part of large automotive groups, could be tempted to engage in aggressive price competition. If the terms and conditions of the PSA Banque France Group's financing offers diverge too far from those of its competitors, it could lose customers and/or part of its business volume.

Customers may have to seek financing from competitors on the same or even better terms than those offered by the PSA Banque France Group. Consequently, the PSA Banque France Group may not be able to maintain its penetration rate, which would have a negative impact on its operating income and financial position. Matching the downward pressure on prices instigated by its competitors, should it be to maintain or increase its market share, could adversely affect the PSA Banque France Group's margins and adversely affect its operating income and financial position.

In addition, the PSA Banque France Group also faces competition from independent suppliers of products and services through the insurances, guarantees and roadside assistance it offers, which could all affect its profitability.

Consequently, increased competitive pressure could have a negative impact on the volume of financing granted and the revenues and margins of the PSA Banque France Group, and therefore on its operating income and financial position.

3. The PSA Banque France Group operates in a highly regulated environment and is subject to an extensive legislative, supervisory and regulatory framework in France. Pending legislative and regulatory changes could have a material impact on the PSA Banque France Group's business and financial position with the costs that they may potentially cause, as well as on the financial and economic environment in which the Group operates.

The PSA Banque France Group is subject to extensive regulation and supervision in France. The rules applicable to the PSA Banque France Group as a bank are primarily intended to limit its exposure to risk, preserve its financial stability and health, and protect its customers, depositors, creditors and investors. Compliance with these regulations requires significant resources. Any failure to comply with this legislative framework could result in fines and damage the reputation of the PSA Banque France Group or result in a suspension of its activities or even the withdrawal of its authorisations to conduct them (including its banking license), which could significantly affect its business and operating income.

This regulatory framework is characterised by its changing nature and growing complexity, which increases uncertainty about future impacts on the business and profitability of the PSA Banque France Group. Since the beginning of the financial crisis, a series of measures have been proposed, discussed and adopted by several national and international legislative and regulatory bodies. Some of these measures have already been implemented, while others are still under discussion. This evolving regulatory framework has an impact on the financial and economic environment in which the PSA Banque France Group operates. It is still difficult to accurately estimate future effects, or in some cases the potential consequences of those measures for the PSA Banque France Group. In addition, the PSA Banque France Group is subject to the provisions of consumer credit regulations under the 2008 European Consumer Credit Directive. This directive and French consumer protection legislation regulate matters such as consumer advertising, information given to borrowers about interest rates and loan conditions, verifications prior to the granting of credit and options to cancel financing contracts and repay early.

The costs of complying with current laws and regulations and any new regulations may have a negative impact on the PSA Banque France Group's business and financial position.

The PSA Banque France Group applies the Basel III regulations, which relate to capital and liquidity requirements *(see Section 1.4.3 "Capital management and regulatory capital adequacy" below for more details)* with the objective of promoting a more crisis-resistant banking sector. In the European Union, Basel III has been transposed through the Capital Requirements Directive (CRD) package, which consists of Directive 2013/36/EU (CRD IV) and Capital Requirements Regulation (CRR) No. 575/2013 (including all acts of transposition in France, in particular Law No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities), Bank Recovery and Resolution Directive (BRRD) 2014/59/EU, as well as all technical standards and guidelines of the European Union regulatory bodies (such as the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA)). These European texts are and will continue to be amended to reflect changes in the Basel III framework.

The timetable for the application of these regulations to the PSA Banque France Group may change depending on the final transposition of the Basel Committee's rules into European law. Despite the measures taken by the PSA Banque France Group to adapt its practices to the new regulations and thus reduce their negative impact, the completion of the Basel III regulatory framework could increase the capital requirements applicable to the PSA Banque France Group's activities and thus reduce its return on regulatory capital.

In addition to changes in regulatory provisions, the ECB has taken major initiatives to strengthen the internal models for calculating capital requirements and their comparability and to harmonise the definition of default.

Furthermore, in April 2019, the European Union adopted a rule guaranteeing that banks shall deduct any shortfall in provisions to cover their non-performing loans from their regulatory capital. For the PSA Banque France Group, this rule concerns new loans granted and categorised as non-performing since 26 April 2019. In addition, on 27 June 2019, a series of legislative acts implementing the "banking package" was published in the Official Journal of the European Union, including the CRR II and CRD V texts. Member States have 18 months to transpose these texts into domestic law.

The existing regulatory framework and future reforms could have a negative impact on the business activities of the PSA Banque France Group (which will have to adapt to these new constraints, and its financial position with the strengthening of capital requirements.

As of 31 December 2019, the PSA Banque France Group had own funds CET1 of €1,209 million (for a CET1 ratio of 12.3%) and total regulatory capital of €1,364 million (for a total ratio capital of 13.8%).

In addition, the PSA Banque France Group is subject to the usual corporate tax rules, which can be complex. Changes in current tax rules, uncertainty as to the interpretation of changes in laws and their impact on the PSA Banque France Group could affect its business, net income and financial position.

CREDIT AND COUNTERPARTY RISKS

As a credit institution, the PSA Banque France Group is exposed to the risk of insolvency of its customers and PSA Group dealers in the Peugeot, Citroën and DS distribution network and of its financial counterparties, i.e. the failure of a borrower (mainly in the form of non-payment of monthly instalments on a loan or lease) or a counterparty to perform its obligations to the PSA Banque France Group in accordance with the terms and conditions agreed.

Credit risk has an impact on the PSA Banque France Group consolidated financial statements due to losses recorded in the income statement, because even if it has the capacity to recover and resell the financed vehicle, the resale value may not offset the amount of the losses due to default.

However, the PSA Banque France Group does not carry any residual value risk (i.e. the net resale value of an asset at the end of a finance lease or rental agreement that is lower than estimated) due to the existence of agreements to repurchase vehicles at the end of the lease period, mainly from dealers or PSA Group brands.

As of 31 December 2019, the PSA Banque France Group's risk-weighted assets subject to credit risk amounted to €8,880 million, i.e. 90% of Group's RWA. The total outstanding customer loans and receivables stood at €13,524 million.

Refer to Section 1.4.5 "Credit risk" for more information on the PSA Banque France Group's exposure to credit and counterparty risk.

4. The PSA Banque France Group is exposed to credit risk from customers and dealers in the PSA Group's distribution network for the Peugeot, Citroën and DS brands, which may be increased by the risk of concentration, especially for the largest dealers or companies. Late or insufficient provisions for credit risk exposure or a significant increase in new provisions may affect its operating income and financial position.

The PSA Banque France Group is exposed to credit risk from a large number of customers as part of its day-to-day business of providing financing to individuals and companies, in accordance with specific acceptance policies adapted to the credit risk of customer types.

- for financing granted to individuals and small and medium-sized enterprises, applications are either automatically authorised by an risk analysis expert system or require an additional evaluation procedure by a credit analyst. The data or information used comes from external or internal databases such as payment records (for renewals of financing following the purchase of a new vehicle). As of 31 December 2019, the PSA Banque France Group's risk-weighted assets for this credit risk exposure category amounted to €3,685 million;
- for the portfolio of financing granted to large companies, which also includes public bodies and dealers of the Peugeot, Citroën and DS brand networks, all decisions are governed by strict rules in terms of the delegation of authority in respect of the maximum possible loan limits. Financing may also be granted through the credit committees of the PSA Banque France Group or its shareholders. As of 31 December 2019, the PSA Banque France Group's risk-weighted assets for this credit risk exposure category amounted to €4,649 million.

As part of its financing activities, the PSA Banque France Group regularly records provisions for doubtful loans in the income statement under "cost of risk", to anticipate the occurrence of losses and reduce the volatility of its earnings.

- for individuals, the provisioning method is based on the use of statistical models that use historical analysis of losses and the recovery rate of the affected receivables, as well as forward looking data;
- for corporate customers, provisions are based on the most up-to-date assessment of the recoverability of the granted amounts.

In both cases, provisions are recorded for performing loans outstanding and contracts in default. In 2019, the cost of risk stood at €37 million (0.31% of average net outstanding loans) and non-performing loans totalled €216 million. Non-performing loan ratio was 1.9% and the total coverage ratio for these non-performing loans was 79%.

Even if the cost of risk and the ratio of non-performing loans to outstanding loans remain at relatively low levels due to a hitherto favourable economic cycle, they could increase in the future as a result of changes in the environment (unemployment rate, real estate prices, consumer confidence, and other factors such as an epidemic or pandemic) that would alter consumer behaviour despite current credit risk management techniques.

> The COVID-19 coronavirus pandemic with the containment measures that came into force on 17 March 2020 in France affects the activities of the customers that the PSA Banque France Group finances. To support its customers in facing this unprecedented health crisis, should they be individuals, businesses or dealers, the PSA Banque France Group has taken exceptional measures, allowing them to defer specific instalments in their financing agreements.

As a result, if customer default rates were to increase compared to the rates previously used for provisions, the PSA Banque France Group might have to record significant additional charges and provisions for doubtful or uncollectible loans, which would have a material adverse effect on the PSA Banque France Group's cost of risk, earnings and financial position.

Credit risk is increased if there is a concentration of exposures to a specific borrower, counterparty or business sector. The PSA Banque France Group has significant exposure to the PSA Group and to the largest dealers in the Peugeot, Citroën and DS dealer networks, as well as exposure to the risk of sector concentration for corporate fleet financing.

- As of 31 December 2019, the outstanding loans of the PSA Banque France Group to the PSA Group stood at €190 million, representing 14% of regulatory capital.
- On the same date, the PSA Banque France Group's 10 main outstanding loans, other than those to the PSA Group, totalled €2,018 million. These 10 main outstanding loans break down into the following counterparty categories:
  - Banks: €375 million;
  - Dealer network (with no financial ties to the PSA Group): €1,445 million;
  - Corporate (excluding dealer network): €198 million.

As of 31 December 2019, there was no net exposure on a counterparty in excess of 25% of regulatory capital.

(See Section 1.4.5.3 "Diversification of credit risk/concentration risk" for more information on the PSA Banque France Group's exposure concentration).

A default by one or more major counterparties could impact its business and lead the PSA Banque France Group to incur losses with a material adverse effect on its costs of risk, earnings, results and financial position, even if economic conditions are generally favourable.

5. The PSA Banque France Group is exposed to counterparty risk through its relationships with other financial counterparties.

The PSA Banque France Group deals with various financial counterparties to conduct its activities, especially in connection with cash management or with interest rate derivative transactions to hedge its balance sheet. Counterparty risk is the occurrence of credit risk in connection with these market transactions or settlements, as the counterparty cannot meet its obligations to pay the PSA Banque France Group the expected cash flows.

However, the PSA Banque France Group has a limited number of financial counterparties (fewer than ten), all of which are first-tier banking counterparties, and since the introduction of EMIR, the vast majority of interest rate derivatives are cleared centrally with the LCH Clearnet clearing house via a clearing member.

As of 31 December 2019, the counterparty risk calculated using the standard approach amounted to €4 million, i.e. 0.04% of Group's RWA.

(Refer to Section 1.4.5.7 "Counterparty risk" for more information on the PSA Banque France Group's exposure to counterparty risk).

1.

FINANCIAL RISKS

Financial risks include:

- **the risk that the PSA Banque France Group may not have the necessary funding to meet its commitments within a given timeframe (liquidity risk). This is reflective of the risk of an inability to meet net cash outflows over all horizons, from short-term to long-term;**
- **the risk which would prevent it from financing the development of its activities in accordance with its planned commercial objectives at a competitive funding cost (funding risk and risk related to funding cost);**
- **and the risk of loss related to unfavourable changes in market parameters (mainly interest rate risk because the PSA Banque France Group does not have any foreign currency operations that could expose it to currency risk).**

Refer to Section 1.4.6 "Liquidity and funding risk" for more information on the PSA Banque France Group's exposure to liquidity and funding risk.

Refer to Section 1.4.8.2 "Interest rate risk" for more information on the PSA Banque France Group's exposure to interest rate risk.

6. The PSA Banque France Group is exposed to liquidity and funding risk, which could materially affect its liquidity position and ability to meet its obligations to its counterparties and the development of its business if access to its various funding sources were to be disrupted.

This risk is inherent to the financing activities of the PSA Banque France Group, which is dependent on its access to funding sources and liquidity and may therefore increase as a result of various factors that it cannot control, such as phenomena that have a deep impact on financial markets (severe market disruption/dislocation, tensions on money and bond markets). To avoid excessive dependence on any particular funding source, the PSA Banque France Group has developed a diversified funding structure based on access to various sources of liquidity.

It cannot, however, ensure that it can maintain its level of funding in the event of tension on any one of them:

- especially if access to the money and bond markets were to be limited, as these have become the PSA Banque France Group's main funding source, representing 29% of total funding at the end of 2019. As of 31 December 2019, the PSA Banque France Group had raised a total amount of €3,748 million in the debt capital markets;
- the retail savings activity is also highly competitive, with intense competition among the many traditional and online financial institutions to attract and retain deposits. The PSA Banque France Group needs to attract new customers from other existing and already well established institutions. The ability to compete successfully with its competitors could limit the diversification of the PSA Banque France Group's funding sources (retail customer deposits being the second largest, representing 20% at the end of 2019) and could adversely affect the development of its activities. French retail customer deposits amounted to €2,585 million at the end of 2019, compared to €2,251 million in 2018. Any increase in the interest rates offered for its deposit

products (savings accounts and term deposits) will affect the PSA Banque France Group's profitability;

- the securitisation by the PSA Banque France Group of some of its portfolios of loans to individual and corporate customers represents its third funding source, with a proportion of 18% at the end of 2019. Funding from securitisation transactions placed in the market was slightly down to €2,223 million at the end of 2019. An unexpected and exceptional deterioration in the quality of the assets sold or a sharp decline in new financing granted that limits the ability to replenish transactions in the replenishment phase with sufficient new receivables, could result in the activation of triggers and potentially an early amortisation, resulting in a loss of funding and greater difficulty in issuing new transactions on the Auto ABS market;
- in response to the financial crisis, for several years now the European Central Bank has taken a number of exceptional measures to facilitate access to liquidity by financial institutions. Since 2015, the PSA Banque France Group has thus participated in various targeted long-term refinancing operations (TLTROs), which totalled €1,300 million at the end of 2019 (10% of total funding). If such measures were not renewed or were significantly reduced, this could adversely affect the PSA Banque France Group's ability to access liquidity and could also have an adverse effect on its funding cost.

Liquidity risk is assessed by the PSA Banque France Group using various internal and regulatory indicators, such as:

- the Liquidity Coverage Ratio (LCR): the purpose of this short-term liquidity ratio is to ensure that a bank has sufficient liquid assets to cover its net cash outflows over a 30-day horizon under severe stress. Throughout 2019, the LCR ratio was always above 100%;
- the Net Stable Funding Ratio (NSFR): this longer-term liquidity ratio compares funding requirements to stable resources over a one-year horizon, but regulatory reporting of it has been postponed to 2021.

With a monthly average liquid assets (HQLA) amount of €314 million, the average LCR stood at 122% over the year 2019, compared to the required regulatory level of 100%. At the end of 2019, the total liquidity reserve amounted to €1,255 million.

(Refer to Section 1.4.6 "Liquidity and funding risk" for more information on the various indicators used to monitor the PSA Banque France Group's exposure to liquidity and funding risk).

7. The PSA Banque France Group's access to certain forms of funding at an optimal cost may be more difficult or even temporarily impossible in the event of a resurgence of financial crises, a deterioration in economic conditions or a downgrading of the PSA Banque France Group's credit ratings, thus widening credit spreads that could have a material adverse effect on its funding cost, operating income and financial position.

To finance its activities at the best possible rates under normal conditions, the PSA Banque France Group has developed a diversified funding structure based on access to various sources of liquidity. If the Group were no longer able to access the money and bond markets on acceptable terms with the issue of new debt securities or had to deal with cash outflows such as a significant decline in customer deposits, the PSA Banque France Group would have to resort to more expensive funding sources, which would reduce its net interest margin and thus have a negative impact on its financial results. The PSA Banque France Group is also exposed to the risk of widening credit spreads because the cost of medium- and long-term funding is directly related to the level of credit spreads, which changes depending on market conditions.

PSA Banque France Group's credit spreads have therefore increased significantly with the economic and financial shock caused by the coronavirus COVID-19 pandemic.

The level of these spreads may also be impacted by the downgrading of the PSA Banque France Group's credit ratings by the two ratings agencies (Moody's Investors Service and S&P Global Ratings). Even though the PSA Banque France Group's rating was upgraded to BBB+ by S&P Global Ratings in December 2018 and to A3 by Moody's Investors Service in May 2019, a future deterioration in its liquidity position, credit risk, capital adequacy or profitability could cause the ratings agencies to downgrade its current ratings.

On 15 April 2020, considering that the PSA Banque France Group is not totally immune to the tough economic environment for carmakers amid the COVID-19 pandemic S&P Global Ratings revised the outlook on the PSA Banque France's credit rating to negative from stable and affirmed the BBB+ rating.

8. The PSA Banque France Group is exposed to structural interest rate risk resulting from an unfavourable change in financial market interest rates or in the rates offered for retail customer deposits that would have a negative impact on its operating income and financial position.

Interest rate risk for the PSA Banque France Group arises from the inadequacy of its assets for its liabilities as measured by the repricing gap between interest-earning assets and interest-bearing liabilities:

- the financing granted to customers is primarily in the form of fixed-rate loans or lease offers with a maximum duration of 72 months, whereas the financing of the dealer networks does not exceed 12 months and prices are, therefore, renewed/adjusted during the year;
- the PSA Banque France Group refinances itself with fixed-rate financial instruments (bonds, intragroup loans, term and sight deposits, ECB funding for TLTRO-II) and with variable/revisable rate funding sources (securitisations, NEU CP, NEU MTN, bank lines, TLTRO-III).

The PSA Banque France Group uses two indicators to measure its interest rate risk and control its exposure within the sensitivity limits defined in its risk appetite framework:

- the sensitivity of the net interest margin (NIM) to changes in interest rates in various stress scenarios, calculated on the basis of a static balance sheet and taking into account the price readjustment of new financing production;
- the sensitivity of the Market Value of Equity (MVE) to changes in interest rates that represent the impact on the net present value of assets and liabilities.

As of 31 December 2019, compared to the worst increase or decrease scenario for parallel rates of +/-100 bp; +/-75 bp; +/-50 bp and +/-25 bp :

- the NIM sensitivity stood at -€11 million and;
- the MVE sensitivity stood at -€35 million.

(Refer to Section 1.4.8.2 "Interest rate risk" for more information on the various indicators used to monitor the PSA Banque France Group's exposure to interest rate risk).

Interest rate risk monitoring is prepared on the basis of model assumptions to make decisions on hedging programmes. The ones whose cost depends on the steepness of the existing yield curve when they were introduced may not always prove to be the most appropriate in an environment of falling or persistently low and even negative interest rates, which could affect the PSA Banque France Group's operating income and financial position.

OPERATIONAL AND NON-COMPLIANCE RISKS

Operational risk is the risk of loss resulting from faulty or inadequate internal processes or external events, whether accidental, deliberate or natural. Internal processes include processes involving employees and information systems. Fires, natural disasters (such as floods, earthquakes, etc.) or epidemics are examples of external events. Operational risk includes risks related to information systems, fraud risks, legal and non-compliance risks and reputational risks.

As of 31 December 2019, the PSA Banque France Group's risk-weighted assets resulting from operational risk amounted €776 million using the standardised approach methodology of Basel regulations, i.e. 8% of Group's RWA.

Refer to Sections 1.4.3.2.2 "Regulatory capital requirements" and 1.4.11 "Operational risks" for more information on the PSA Banque France Group's exposure to operational risks.

9. The PSA Banque France Group is exposed to risks associated with the security and reliability of its information systems to ensure the continuity of its activities.

Information systems are essential to the operational processes of the PSA Banque France Group, from credit underwriting to the management of all loans and receivables.

The smooth operation of financial control, accounting and data collection and processing systems is essential to the PSA Banque France Group's business and its ability to compete. In addition, the PSA Banque France Group has signed framework agreements with Banque PSA Finance for the supply of information systems and services and benefits from the cyber security risk alert and prevention system of the PSA Group, which enables it to manage these risks.

The risk resulting from the difficulty to ensure that all information systems remain fully functional following a disruptive event, regardless if it results in damages of equipment or not (cyber-attack, natural disasters such as flooding, epidemics and even pandemics) can have a negative impact on the PSA Banque France Group's ability to continue its activities, despite the activation of the Business Recovery Plan.

> The COVID-19 coronavirus crisis has allowed the PSA Banque France Group to test its ability to organise itself to continue its business in an unprecedented situation of population containment in France by resorting to teleworking on a large scale and increasing the possibilities of secure connections to its IT systems via VPN.

Losses can result from a personnel mismatch, from an internal control process or system mismatch or failure, or from external events which interrupt day-to-day activities. The PSA Banque France Group is exposed to the risk of an insufficiency in the design of its controls and procedures or that they will be bypassed such that its data and/or customer files are incomplete, non-recoverable or not stored in a secure way. This may occur despite the fact that the PSA Banque France Group works with its customers, service providers, counterparties and other third parties to develop secure data processing, storage and transmission capabilities in order to avoid information security risks.

Any interruption or failure of the PSA Banque France Group's information systems could result in significant losses of customer information or an interruption in the continuity of its business.

Finally, any breach of information security could expose the PSA Banque France Group, outside of legal proceedings, to the disclosure or alteration of confidential information that would impact its reputation and thus undermine the confidence of its customers and profitability.

10. The PSA Banque France Group is exposed to the risk of fraud, mainly external fraud that may result in losses following non-payment of monthly instalments on loans granted or leases.

As a credit institution that provides financing to its customers, the PSA Banque Group is exposed to the risk of fraud. This risk may be due to the inadequacy or failure of internal processes, personnel or information systems in the financing acceptance process and in the monitoring of payment/repayment by monthly instalments, but fraud is still committed mainly by customers who apply for financing. The credit granting process relies heavily on documents provided by prospective customers, such as proof of income and bank details to arrange direct debits, by-laws (for companies) or identity documents. A risk can arise at the time a financing contract is signed if the customer has first provided false documents or stolen another person's identity.

Despite the systems in place, the PSA Banque France Group may not be able to detect certain acts of fraud that result in the non-payment of debts and the inability to recover them, which would result in economic losses.

11. The PSA Banque France Group is exposed to non-compliance risk with the risk of paying damages or fines as a result of legal or regulatory proceedings that could adversely affect its operating income and financial position.

The PSA Banque France Group is exposed to legal and non-compliance risk, which is defined as the risk of legal, administrative or disciplinary sanction, significant financial loss, or damage to reputation arising from failure to comply with the provisions governing banking and financial services, including regulatory and statutory provisions, professional standards, ethical standards, or instructions from the executive body pursuant to guidelines issued by the supervisory body.

Risk factors are related to incorrect interpretation of texts or failure to adequately reflect these texts in operating methods, procedures or internal instructions.

As part of its day-to-day activities, the PSA Banque France Group may be involved in different types of litigation, notably civil, administrative, tax, criminal and arbitration cases resulting from non-compliance with the above provisions.

In these cases, the PSA Banque France Group is exposed to a number of outcomes that may adversely affect its activity:

- a legal impact if regulatory or judicial actions resulting in fines or penalties are taken against the PSA Banque France Group or its employees;
- a financial impact in the event of a harmful act affecting the net income of the PSA Banque France Group or its future potential earnings or in the event of investor loss of confidence and;
- a reputational impact with the potential to harm the image or brands of the PSA Banque France Group, such as bad press or discussions on social networks, a loss of customer confidence or a decline in employee commitment.

In particular, due to the fact that it belongs directly to Banque PSA Finance and Santander Consumer Banque (and therefore to the PSA and Santander groups), the PSA Banque France Group may also be impacted by the non-compliance risk to which these two groups are exposed. This could have a business impact in the case of negative events which significantly disrupt the operations of the PSA Banque France Group, such as embargoes and site closures.

12. Any damage to the reputation or image of the PSA Banque France Group could affect its competitive position with a loss of business from its customers and a loss of confidence on the part of its counterparties and investors, which could have an adverse effect on its operating income or financial position.

Reputational risk is the risk of damage to the trust that customers, counterparties, suppliers, employees, shareholders, the supervisor and all other third parties have in a company. This trust is a necessary condition for the normal operation of the business. For the PSA Banque France Group, reputational and image risk consists primarily of:

- a specific "risk of damage to the Bank's reputation and image with end-user customers; Peugeot, Citroën, and DS dealer networks; third-party banks; and supervisory authorities (excluding internal image risk)";
- the potential repercussions of an operational incident.

Image and reputational risk is to a large extent contingent on risks already incurred and identified by the PSA Banque France Group.

Due to the fact that it belongs directly to Banque PSA Finance and Santander Consumer Banque (and therefore to the PSA and Santander groups), the reputation and image of the PSA Banque France Group may also be impacted by the reputation and identity of the two groups.

Any damage to the reputation and image of the PSA Banque France Group could affect its business with a loss of confidence on the part of its customers, counterparties and investors and an adverse effect on its operating income or financial position.

1.4.2 Governance and risk management systems

Identification, measurement, control and monitoring of the risks of the PSA Banque France Group is managed by the Risk Department, which was set up following the creation of the cooperation between Banque PSA Finance and Santander Consumer Finance. The Chief Risk Officer is a member of the Executive Committee and also reports to the Audit and Risk Committee.

The risk governance covers steering of risk control, validation of methods or measurement models and setting the desirable risk level.

This governance is based first on a mapping and yearly additional assessment of all risks and the level to which the PSA Banque France Group is exposed, and an evaluation of their potential criticality given the management policies adopted, regulatory obligations, the economic and competitive environment and the PSA Banque France Group's business model.

1.4.2.1 RISK APPETITE FRAMEWORK

Based on the identification and assessment of risks, their performance and the risk strategy defined by the Board of Directors of the PSA Banque France Group, the Risk Department proposes and formalises a Risk Appetite Framework (RAF), which is approved by the Board of Directors. This Risk Appetite Framework is used as a reference when defining strategic and commercial objectives and during annual and multi-year budget exercises to ensure that they maintain the Group within the risk profile desired by the Board of Directors.

It also includes:

- the principle of setting alert thresholds and limits in line with the regulatory obligations of the PSA Banque France Group for all strategic risks identified during the risk identification assessment. This is done to ensure that risks are limited by establishing objective and verifiable limits with a management, control and reporting infrastructure, which guarantees their effectiveness;
- defining the roles of each party involved in risk management and making the entire management of the PSA Banque France Group accountable for compliance with the general risk management policy;
- the principles governing the escalation of alerts to the appropriate level and the timely handling of any breach of defined limits;
- the independence of the Risk Management and Control function from other business lines and the separation between departments generating risks and departments responsible for controlling and monitoring those risks. These departments have sufficient authority and direct access to the management and decision-making bodies responsible for defining the risk strategy. This principle results in a three-level control structure (see Section 1.4.2.2 "Organisation of risk management", below);
- anticipation and predictability: the evaluation of risks is essentially a matter of anticipation;
- the culture of risk in the organisation, so that all attitudes, values, skills and instructions related to the business are included in all processes.

The Risk Appetite Framework is reviewed on a regular basis and incorporates, as necessary, new indicators with limits designed to control risks whose occurrence or criticality would appear or increase in the course of the PSA Banque France Group's business activities.

The Risk Appetite Framework defined by the Board of Directors constitutes the general risk management policy by setting the guidelines and limits to respected within the PSA Banque France Group.

Within this general framework, risk appetite corresponds to the overall level and types of risks that the Board of Directors of the PSA Banque France Group is prepared to assume in accordance with regulations, the bank's ability to handle risks and strategic and commercial objectives.

1.4.2.2 ORGANISATION OF RISK MANAGEMENT

1.4.2.2.1 Risk management and control system

The risk mapping, periodically revised by the Risk Management and Control function, lists all of the risks to which the PSA Banque France Group is exposed. It contributes to checking the robustness of PSA Banque France Group's control system, by comparing the risks identified, the losses related to these risks as well as the result of second-level controls, and lastly the residual risk.

The risk management and control function

The Risk Management and Control function is independent of the other operational functions. The Risk Management Department performs risk measurement and monitoring and has direct access to the management and governance bodies responsible for establishing and supervising strategy and the proper application of risk policies in accordance with the Risk Appetite Framework as defined by the Board of Directors.

Using the Risk Identification and Assessment (RIA) process, the Risk Management and Control function identifies and assesses all risks to which the bank may be exposed or could be exposed in the future. This process is the start point of the risk management and control strategy. It consists of a quantitative and a qualitative part:

- Risk Performance Assessment: assess current risk exposure and determine performance levels through parameter and threshold indicators;
- Control Environment: assess the adequacy of the risk environment with the expected operational objective of the PSA Banque France Group, identifying any weaknesses and areas for improvement.

Internal control

In line with the Decree of 3 November 2014 related to internal control levels of credit institutions, the PSA Banque France Group's internal control system is organised around the functions of permanent and periodic control, as well as a first level of responsibility inside the operating units.

The PSA Banque France Group's fundamental principles underpinning the organisation and implementation of internal control are set out in an internal control charter. The internal control charter determines the organisational structures, resources, scopes of action and tasks, as well as the functioning procedures of the PSA Banque France Group's control system.

Permanent control system

First-level controls, the basis of the internal control system

These controls exist within the operating units. The controls are performed by all employees in the normal course of their work, in application of procedures that include various controls to carry out, or they are performed by dedicated employees within the operating units. The first-level controls are supervised by the units responsible for permanent control.

Permanent control

Second-level controls, this position is reporting to the Secretary General.

Permanent control is in charge of various missions:

- compliance monitoring, which is responsible for preventing, controlling and overseeing compliance risks;
- the permanent control of the operational risks of the Group's entities including the outsourced services.

Operational risk control tasks cover:

- the recurrent evaluation of the level of control of operational risks achieved by the systems used in the entities of the Group, as well as at service providers;
- the exercise of specific second-level controls in the whole organisation;
- the application of a mechanism for certifying the self-assessment of first level controls, used by operational managers to certify the execution and outcome of key controls on major risks. This system covers the accounting, refinancing and treasury activities and security of access to the PSA Banque France Group's main IT applications;
- issuance of written recommendations and follow-up of their implementation;
- the collection, analysis and monitoring of operational incidents.

The risk mapping, periodically revised by the risk management and control function, lists all of the risks to which the PSA Banque France Group is exposed. It contributes to checking the robustness of PSA Banque France Group's control system, by comparing the risks identified, the losses related to these risks as well as the result of second-level controls, and lastly the residual risk.

Pursuant to the Decree of 3 November 2014, the Annual Internal Control and Risk Measurement and Monitoring Report (*Rapport Annuel de Contrôle Interne et de Mesure et Surveillance des Risques* (RACI)) of 2019 will be shared with the directors and sent to the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)) by 30 March 2020. A specific and separate RACI dedicated to anti-money laundering/combating the financing of terrorism and the freezing of assets will also be provided to the ACPR in a timely manner.

Periodic controls

Periodic – or third-level – controls consist of checking, on an independent basis, performance, effectiveness and compliance of process and internal control procedures, risk management and governance.

They are performed by the internal audit teams in the form of ad hoc assignments which are based on a four-year plan (three-year until 2018) covering all of PSA Banque France Group's entities, including outsourced activities.

Seven audit assignments were carried out in the PSA Banque France Group during 2019.

By reporting its activities to executive managers, to the Board of Directors and the Audit and Risk Committee, Internal Audit contributes to improving processes and controlling PSA Banque France Group's risks.

Oversight by Executive Management and the Board

The internal control system is overseen by Executive Management and the Board, supported by various committees.

The Board of Directors oversees the control of the main risks faced by the PSA Banque France Group and ensures that the internal control system is reliable. Through the Audit and Risk Committee, the Board reviews the lessons to be learned from risk monitoring activities and periodic and permanent controls.

The PSA Banque France Group's Audit and Risk Committee prioritises its tasks according to the risks identified. Its duties include the planning, supervision and review of internal audits and of permanent control, as well the ongoing monitoring and review of the work of the Statutory Auditors. It is responsible for the remediation of any major weaknesses in internal controls identified by external auditors.

The Audit and Risk Committee also ensures the Group's compliance with regulatory requirements such as Basel III, as well as the implementation of measures to comply with those requirements. Finally, the Audit and Risk Committee reviews the consolidated financial statements and the individual financial statements of all entities of the PSA Banque France Group in accordance with the accounting methods used.

If necessary, the Audit and Risk Committee may consult with the PSA Banque France Chairman, Chief Executive Officers, and Statutory Auditors and with any other person required for its work. Several times a year, the Chairman of the Audit and Risk Committee meets with the representatives of periodic and second-level controls and those of the Risk Department.

Executive Management is responsible for defining and implementing the internal control system. Through the Control and Compliance Committees, it monitors proper functioning and ensures that assignments are given adequate resources.

Organisational basis of the PSA Banque France Group's internal control system

The control process is built around a set of regular controls in accordance with the internal control regulations applicable to credit institutions, which includes a first-level hierarchical control within the operational units, a permanent – or second-level – control and a periodic (audit) – or third-level – control.

The main policies of the PSA Banque France Group are specified and implemented in the Audit and Risk Committee or the operational committees. These specific committees focus on credit risks, where changes in past-dues and credit losses are analysed, as well as the performance of the risk selection systems for Retail and Corporate (vehicle fleet and dealer) loan books.

These committees also review and make decisions concerning:

- developments in the Basel system;
- lending margins;
- products and processes, including associated risks;
- financing applications for dealers and fleets are examined either at the level of a Santander Group Credit Committee or at the level of a PSA Banque France Group Credit Committee, according to the delegations of authority in force;
- review of results of refinancing, liquidity and interest and exchange rate risk management policies;
- review of IT security policy;
- compliance and GDPR-related work.

1.4.2.2.2 Main risk management governance bodies

The governance of risk management is overseen at the highest level through two main bodies: the Board of Directors and the Executive Committee:

- **the Board of Directors** of the PSA Banque France Group is the primary guarantor of the internal control system and ensures that the main risks incurred by the Bank are under control. It determines guidelines and supervises the implementation by executive management of the supervisory mechanisms. It regularly approves the limits proposed by executive management and sets the criteria and thresholds for significant incidents brought to its attention;
- **the Executive Management** is responsible for implementing the internal control system. They monitor its proper functioning and ensure that assignments are adequately resourced. They ensure that persons responsible for "key functions" have the knowledge and skills appropriate to the tasks they perform.

Chaired by the Risk Management Department, the committees responsible for risk management meet on a regular basis:

- **the Risk Management and Control Committee** reports to the Executive Committee on a monthly basis on all risk indicators defined in the Risk Appetite Statement and on other operational indicators covering all aspects of the PSA Banque France Group's risks;
- **the Loan Committee**, which is part of the Executive Committee, meets weekly. It is responsible for the analysis, approval, modification or rejection of credit applications. It decides on any guarantees to be taken within its delegated level of authority and gives a provisional opinion on guarantees beyond that level. The latter are then reviewed or approved by the Cooperative Credit Committee;
- **the Joint Network Management Committees** coordinate the monitoring of the situation and the risks presented by the distribution networks with the Peugeot, Citroën and DS brands on a monthly basis.

The Risk Management Department also participates in the following decision-making committees:

- **the Audit and Risk Committee** assists the Board of Directors on a quarterly basis in the performance of its duty to manage the risks inherent in the PSA Banque France Group's commercial activity and in the definition of its risk appetite. Its main responsibilities concern the control of risks to which the PSA Banque France Group is exposed, as well as the definition of its risk appetite. It assesses the quality of internal control, in particular the consistency of risk measurement, monitoring and control systems, and proposes additional measures. Each year, the internal audit department submits its audit plan to the Audit and Risk Committee for approval before presentation to the Board of Directors. In addition, the internal audit department regularly communicates the main conclusions of the audit assignments performed and the degree of implementation of the recommendations issued;
- **the Control and Compliance Committee** is responsible for measuring compliance risks and implementing the means to remedy them. It also assesses the PSA Banque France Group's compliance policy;
- **the Operations Committee** presents the performance of the Operations Department on a monthly basis, in particular the volume of acceptances by origin of score, frauds suffered and prevented, the achievements of the after-sales and customer contact departments and the progress of related projects and action plans;
- every month, **the Collection and Recovery Committee** presents the status of delinquencies by arrears bucket and customer segment, and the performance of amicable debt collection, litigation and auction services. This committee also presents action plans and the progress of projects that affect the Collections Department;
- the purpose of the **ALCO Committee** (Asset and Liability Management Committee) is to assist the Executive Committee on a monthly basis in overseeing the funding of the PSA Banque France Group, the Group's asset-liability management and the management of structural interest rate risk and liquidity risk.

The members of the executive body either participate in these committee meetings or are informed of their content, their agenda and the decisions made.

The other specific committees of the PSA Banque France Group are as follows:

- **the Appointment Committee** is responsible for recommending to the Board of Directors the appointments of executive management, the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Risk Officer, and the Chief Compliance Officer. All decisions relating to the appointment of the persons holding the above-mentioned positions must be made independently;
- **the Remuneration Committee** assists the Board of Directors in the implementation and management of the overall remuneration policy in accordance with the regulations in force and in particular Article L. 511-102 of the French Monetary and Financial Code, taking into account the need to prevent the taking of excessive risks. In preparing its opinions, the Remuneration Committee takes into account the long-term interests of the shareholders and other stakeholders of the PSA Banque France Group.

1.4.2.3 RISK PROFILE

The risk profile is determined by all of the risks inherent in the activities performed by the PSA Banque France Group, which are identified in the Group's risk mapping and are regularly assessed and reviewed. The RIA process (see Section 1.4.2.2.1) is used to identify and assess risk profiles. It is taken into account to prepare and implement rules for the management of those risks to guide decision-making on risks in accordance with the risk appetite level approved by the Board of Directors and the Group's strategy.

The PSA Banque France Group's risk profile is expressed using key indicators, qualitative considerations inherent in the Group's strategy and activities that are not quantified at this stage, and alert thresholds and limits defined in accordance with the key indicators.

Regulatory solvency/capital risk

Solvency risk reflects the risk that the PSA Banque France Group's capital may no longer be sufficient to meet regulatory requirements and/or its internal business objectives.

Monitoring this risk ensures that the risk appetite takes into account, maintains and preserves the Group's capital while keeping a safety margin in relation to regulatory requirements, both in the baseline scenario and in stressed scenarios.

Credit risk

Credit risk is the result of a customer's inability to meet payments or other obligations of a contract with the PSA Banque France Group.

For the Retail and Corporate loan books, it is assessed on the basis of risk indicators (cost of risk, default coverage rate, etc.) in accordance with the Group's strategic plan.

Concentration risk

Concentration risk is the result of a significant accumulation of exposures in certain categories, sectors or markets.

Monitoring of this risk is intended to determine the maximum level of concentration that the bank is prepared to accept in conducting its business, in accordance with its strategic plan.

Liquidity and funding risk

Liquidity risk may arise if the PSA Banque France Group does not have sufficient liquidity to meet its commitments on time and satisfactorily access to funding and liquidity sources for the conduct of its financing activities.

Monitoring of this risk makes it possible to determine the minimum level of liquidity that the Group must maintain to permanently meet all net cash payments/outflows related to its activities, in both normal and stressed situations.

Earnings volatility linked to changes in interest rates

Interest rate risk arises from possible losses due to the effect of changes in interest rates on the PSA Banque France Group's regulatory capital structure.

Monitoring this risk limits the potential negative volatility of earnings.

These are forecasted in the PSA Banque France Group's strategic plan for both normal and stressed situations.

Operational risk

Operational risks are the risks of losses resulting from faulty or inadequate internal processes (failure of information systems, personnel) or external events with low probability, but potentially high impact. It includes IT and information system security risks, fraud, non-compliance with the associated risk of penalties, as well as reputational risks.

Risk and remuneration policy

Wages and salaries of categories of employees whose professional activities have a significant impact on the PSA Banque France Group's risk profile

The overall remuneration policy for PSA Banque France Group employees, including the policy for the 30 individuals identified as "risk-takers" due to the impact that their activities may have on PSA Banque France's risk profile, is presented and approved at least once a year by the Remuneration Committee.

The Remuneration Committee met three times in 2019.

PSA Banque France applies the provisions of Directive 2013/36/EU. If variable wages and salaries does exceed a threshold - that remained set at €50,000 for 2019 - they are spread over a three-year period and may be partially paid as financial instruments that cannot be converted during the first year in which they are held.

PSA Banque France allocates no shares or stock options.

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the total wages and salaries package of all kinds paid to the persons referred to in Article L. 511-71 of that Code during 2019, including risk-takers, who numbered 30 people, totalled (gross of tax) €3,596,990.82, which breaks down into fixed wages and salaries of €2,739,238.47, variable wages and salaries of €613,801.52, benefits in kind of €221,305.47 and non-recurring items of €22,645.36, it being specified that no employee receives annual remuneration in excess of €1 million.

The amount of wages and salaries paid to the people referred to in Article L. 511-71 of the French Monetary and Financial Code who also hold a mandate within a parent entity controlling PSA Banque France is not included in the aforementioned amounts, but may be published by it in accordance with its applicable regulations.

In addition, PSA Banque France does not pay any wages and salaries or directors' fees to its directors or Chairman, who serve without remuneration and may also hold a remunerated position within an entity with joint control of PSA Banque France.

1.4.2.4 RISK APPETITE STATEMENT

Risk appetite is expressed at the operational level through the limits and associated alert thresholds defined in the Risk Appetite Statement. The indicators used to define these limits may be qualitative and/or quantitative and cover the Bank's major risks, in accordance with its regulatory obligations.

The Risk Appetite Statement is presented on at least a quarterly basis to the Board of Directors of the PSA Banque France Group and guarantees compliance with all limits set or the implementation of action plans in the event of non-compliance. The risk management governance of the PSA Banque France Group provides for decision-making by collegial bodies by including in the decision-making process a variety of methodological points of view proportionate to the potential impact of the decision and the complexity of the factors involved.

The Risk Department, which monitors risk appetite, prepares this report on the basis of continuous monitoring and management. This report is submitted for review to the Risk Management and Control Committee, which, if necessary, will propose corrective measures to adapt the risk appetite to the risk profile.

The Board of Directors of the PSA Banque France Group expresses its risk appetite in a formal annual statement.

1.4.2.5 ADEQUACY OF THE INSTITUTION'S SYSTEMS WITH RESPECT TO RISKS

At its meeting on 18 December 2019, the Board of Directors of the PSA Banque France Group, having reviewed the Bank's position with regard to the risk appetite thresholds and limits established for 2019, approved, on the basis of all of the information submitted to it, its thresholds and limits for 2020 and their adequacy with the risk profile and strategy of the PSA Banque France Group.

1.4.2.6 STRESS TEST SYSTEM

Stress tests, or tests in the event of crises, are an integral part of the PSA Banque France Group's risk management system. Stress tests contribute to predictive risk management and the assessment of regulatory capital adequacy, while meeting regulatory requirements.

Stress tests include:

- on an annual basis, **in relation to the Internal Capital Adequacy Assessment Process (ICAAP):** this measures potential risks for the determination of the regulatory capital requirement under Pillar II. The ICAAP is carried out mainly by the Finance Department and the Risk Department with contributions from various other departments. The ICAAP report is approved by the Board of Directors. The whole ICAAP exercise is simulated from a baseline scenario based on the forecast plans (budget and Medium-Term Plan) and a stress scenario constructed from data derived from the use of statistical models (Forward Looking), specific analyses and historical data. It also includes idiosyncratic events specific to the business of the PSA Banque France Group and its environment;
- **stress test for credit risk:** the stress test models specific to the PSA Banque France Group that were developed in 2016 have been adapted following the implementation of IFRS 9;
- **monthly liquidity stress test exercise:** determines the liquidity time horizon for business continuity according to various crisis scenarios;
- **stress test exercise on interest rate sensitivity:** assesses the impact of parallel and non-parallel rate shocks according to the regulatory requirement;
- **regulatory *stress* tests:** regulatory stress tests: this type of stress test includes all requests from the ECB, the EBA or from any other supervisory body.

1.4.3 Capital management and regulatory capital adequacy

1.4.3.1 SCOPE AND APPLICATION

The prudential scope used to calculate the solvency ratio is identical to the scope of consolidation described in the notes to the IFRS Financial Statements (Note 1.C).

Since 1 January 2014, the PSA Banque France Group has been subject to compliance with the prudential regulations defined by the Basel III agreements: Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR) and Directive 2013/36/EU (CRD IV).

Note that, in principle, banking institutions must be subjected to a two-fold monitoring process, on a consolidated basis and on an individual basis. However, on 29 January 2015, the French Prudential Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* (ACPR)) endorsed the application for exemption that was submitted to it for prudential supervision on an exclusively consolidated basis, as per Regulation CRR Article 7. There are no obstructions to the transfer of regulatory capital between PSA Banque France and its subsidiaries.

TRANSITION TABLE FROM ACCOUNTING EQUITY TO REGULATORY CAPITAL

(in million euros)	31 December 2019	31 December 2018
Accounting Equity*	**1,443**	**1,305**
Distributable income	120	116
Negative amounts resulting from the calculation of the expected loss	90	79
Other prudential deductions	24	4
Tier 1 regulatory capital	**1,209**	**1,106**
Tier 2 subordinated loans	155	155
Tier 1 and Tier 2 regulatory capital	**1,364**	**1,261**

* *Accounting and regulatory equity are equal.*

1.4.3.2 REGULATORY CAPITAL AND REGULATORY CAPITAL REQUIREMENTS

The regulatory capital is broken down into three tiers (core Tier 1 capital, additional Tier 1 capital, and Tier 2 capital) composed of equity or debt instruments, which are subjected to regulatory adjustments. The PSA Banque France Group has Tier 1 and 2 capital instruments. Tier 1 capital instruments are composed of the following:

- share capital and the corresponding issuance premiums;
- retained earnings and other reserves;
- components of income recognised directly in equity.

Regulatory deductions made to this regulatory capital include the following items:

- estimated amounts of projected dividend distributions;
- negative difference between recognised impairment and the expected losses statistically calculated for Risk Weighted Assets (RWA) stated using the Internal Rating Based (IRB) method;
- other prudential deductions corresponding to the contributions of the PSA Banque France Group to the *Fonds de Garantie des Dépôts et de Résolution* (FGDR) and the Fonds de Résolution Unique (FRU) deducted from Tier 1 regulatory capital.

Tier 2 capital instruments are composed exclusively of subordinated debt.

A total of three levels of solvency ratio are calculated:

- the Tier 1 core capital ratio or CET1 ratio;
- Tier 1 capital ratio or T1 ratio;
- the total capital ratio.

These ratios are calculated by dividing each category of the Group's regulatory capital by the sum of risk-weighted assets.

GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

The table below sets out the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer.

	General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements					
(in million euros)	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	of which : General credit exposures	of which : Trading book exposures	of which : Securitisation exposures	Total	Own funds requirements weights	Countercyclical capital buffer rate
France	1,958	11,750	-	-	-	1,481	704	-	16	721	99.72%	0.25%
Spain	126	-	-	-	-	-	2	-	-	2	0.28%	0.00%
TOTAL	**2,084**	**11,750**	**-**	**-**	**-**	**1,481**	**706**	**-**	**16**	**723**	**100%**	**0.25%**

AMOUNT OF INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER

The table below shows the amount of the institution-specific countercyclical capital buffer.

(in million euros)	Amount
TOTAL RISK EXPOSURE AMOUNT	**2,084**
Institution specific countercyclical buffer rate *(in percentage)*	0.25%
INSTITUTION SPECIFIC COUNTERCYCLICAL BUFFER REQUIREMENT	**5**

TABLE CC1 – COMPOSITION OF REGULATORY CAPITAL

This table provides a breakdown of the constituent elements of the institution's capital.

	(in million euros)	Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Regulation (UE) No. 575/2013 reference
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	738	(h)	26 (1), 27, 28, 29
2	Retained earnings	470		26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	115		26 (1)
4	*Directly issued capital subject to phase-out from CET1 capital (only applicable to non-joint stock companies)*			*486 (2)*
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1 capital)			84
6	**Common Equity Tier 1 capital before regulatory adjustments**	**1,323**		**Sum of lines 1 to 5**
	Common Equity Tier 1 capital: regulatory adjustments			
7	Prudent valuation adjustments			34, 105
8	Goodwill (net of related tax liability)		(a) minus (d)	36 (1) (b), 37
9	Other intangibles other than mortgage servicing rights (MSR) (net of related tax liability)		(b) minus (e)	
10	Deferred tax assets (DTA) that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)			36 (1) (c), 38
11	Cash flow hedge reserve			33 (1) (a)
12	Shortfall of provisions to expected losses	(90)		36 (1) (d), 40, 159
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)			32 (1)
14	Gains and losses due to changes in own credit risk on fair valued liabilities			33 (1) (b)
15	Defined benefit pension fund net assets			36 (1) (e), 41
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)			36 (1) (f), 42
17	Reciprocal cross-holdings in common equity			36 (1) (g), 44
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)			36 (1) (i), 43, 45, 47, 48 (1) (b), 49, (1) à (3), 79
20	Charges MSR (amount above 10% threshold)		(c) minus (f) minus the 10% threshold	
21	DTA arising from temporary differences (amount above 10% threshold, net of related tax liability)			36 (1) (c), 38, 48 (1) (a)
22	Amount exceeding the 15% threshold			48 (1)

	(in million euros)	Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Regulation (UE) No. 575/2013 reference
23	Of which: significant investments in the common stock of financials			36 (1) (i), 48 (1) (b)
24	Of which: MSR			
25	Of which: DTA arising from temporary differences			36 (1) (c), 38, 48, (1) (a)
26	National specific regulatory adjustments			
27	Regulatory adjustments applied to Common Equity Tier 1 capital due to insufficient Additional Tier 1 and Tier 2 capital to cover deductions	(24)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 capital**	**(114)**		
29	**Common Equity Tier 1 capital (CET1)**	**1,209**		
	Additional Tier 1 capital: instruments			
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		(i)	51, 52
31	Of which: classified as equity under applicable accounting standards			
32	Of which: classified as liabilities under applicable accounting standards			
33	*Directly issued capital instruments subject to phase-out from additional Tier 1 capital*			*486 (3)*
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			85, 86
35	*Of which: instruments issued by subsidiaries subject to phase-out*			*486 (3)*
36	**Additional Tier 1 capital before regulatory adjustments**	**-**		**Sum of lines 30, 33 and 34**
	Additional Tier 1 capital: regulatory adjustments			
37	Investments in own additional Tier 1 instruments			52 (1) (b), 56 (a), 57
38	Reciprocal cross-holdings in additional Tier 1 instruments			56 (b), 58
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			56 (c), 59, 60, 79
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation			56 (d), 59, 79
41	National specific regulatory adjustments			
42	Regulatory adjustments applied to additional Tier 1 capital due to insufficient Tier 2 capital to cover deductions			56 (e)
43	**Total regulatory adjustments to additional Tier 1 capital**	**-**		**Sum of lines 37 to 42**
44	**Additional Tier 1 capital (AT1)**	**-**		**Line 36 minus line 43**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,209**		**Sum of lines 29 to 44**

	(in million euros)	Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Regulation (UE) No. 575/2013 reference
	Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	155		62, 63
47	*Directly issued capital instruments subject to phase-out from Tier 2 capital*			*486 (4)*
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			87, 88
49	*Of which: instruments issued by subsidiaries subject to phase-out*			*484 (4)*
50	Provisions			62 (c) & (d)
51	**Tier 2 capital before regulatory adjustments**	**155**		
	Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments			63 (b) (i), 66 (a), 67
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities			66 (b), 68
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			66 (c), 69, 70, 79
54a.	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)			
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			66 (d), 69, 79
56	National specific regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 capital**	**-**		
58	**Tier 2 capital (T2)**	**155**		
59	**Total regulatory capital (TC = T1 + T2)**	**1,364**		**Sum of lines 45 and 58**
60	**Total risk-weighted assets**	**9,859**		
	Capital adequacy ratios and buffers			
61	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets)**	**12.3%**		**92 (2) (a)**
62	**Tier 1 capital (as a percentage of risk-weighted assets)**	**12.3%**		**92 (2) (b)**
63	**Total capital (as a percentage of risk-weighted assets)**	**13.8%**		**92 (2) (c)**
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**8.9%**		**CRD 128, 129, 130, 131, 133**
65	Of which: capital conservation buffer requirement	2.5%		

	(in million euros)	Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation	Regulation (UE) No. 575/2013 reference
66	Of which: bank-specific countercyclical buffer requirement			
67	Of which: higher loss absorbency requirement			
68	**Common Equity Tier 1 capital (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements**	**5.0%**		**CRD 128**
	National minima (if different from Basel III)			
69	National Common Equity Tier 1 capital adequacy minimum ratio (if different from Basel III minimum)			
70	National Tier 1 capital adequacy minimum ratio (if different from Basel III minimum)			
71	National Total capital adequacy minimum ratio (if different from Basel III minimum)			
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities			36 (1) (h), 46, 45 56 (c), 59, 60 66 (c), 69, 70
73	Significant investments in the common stock of financial entities			36 (1) (i), 45, 48
74	MSR (net of related tax liability)			
75	DTA arising from temporary differences (net of related tax liability)			36 (1) (c), 38, 48
	Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to standardised approach (prior to application of cap)			62
77	Cap on inclusion of provisions in Tier 2 capital under standardised approach	14		62
78	Provisions eligible for inclusion in Tier 2 capital in respect of exposures subject to internal ratings-based approach (prior to application of cap)			62
79	Cap for inclusion of provisions in Tier 2 capital under internal ratings-based approach			62
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)			
80	*Current cap on CET1 instruments subject to phase-out arrangements*			*484 (3), 486 (2) & (5)*
81	*Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)*			*484 (3), 486 (2) & (5)*
82	*Current cap on AT1 instruments subject to phase-out arrangements*			*484 (4), 486 (3) & (5)*
83	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*			*484 (4), 486 (3) & (5)*
84	*Current cap on T2 instruments subject to phase-out arrangements*			*484 (5), 486 (4) & (5)*
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*			*484 (5), 486 (4) & (5)*

1.

1.4.3.2.1 Regulatory capital

As of 31 December 2019, the Basel III CRD IV Tier 1 capital ratio in respect of Pillar I stood at 12.3%, and the total capital ratio was 13.8%. Basel III Tier 1 regulatory capital amounted to €1,209 million at the end of 2019, taking into account the deduction of the difference between recognised impairment and expected actual losses of -€90 million for the IRB scope. The regulatory capital requirement stood at €789 million at 31 December 2019.

GROUP CAPITAL REQUIREMENT AND RISK-WEIGHTED ASSETS

	RWA	Capital requirements	RWA	Capital requirements
(In million euros)	31/12/2019		31/12/2018	
Credit risk	**8,880**	**711**	**8,444**	**676**
Standard method	**1,087**	**87**	**860**	**69**
Sovereigns, Central Banks, and Administrations	14	1	13	1
Institutions	198	16	137	11
Corporate	311	25	221	18
Retail	230	18	211	17
Other assets	334	27	278	22
Foundation Internal Ratings-Based approach (F-IRB)	**4,338**	**347**	**3,944**	**316**
Corporate	4,338	347	3,944	316
Advanced Internal Ratings-Based approach (A-IRB)	**3,455**	**277**	**3,640**	**291**
Retail	3,455	277	3,640	291
Securitisation exposures in the banking book (after the cap)	**203**	**16**	**-**	**-**
Operational risk (standard method)	**776**	**62**	**714**	**57**
Market risk	**-**	**-**	**-**	**-**
TOTAL RISKS	**9,859**	**789**	**9,158**	**733**

	31/12/2019	31/12/2018
Tier 1 regulatory capital	**1,209**	**1,106**
Tier 1 capital ratio	**12.3%**	**12.1%**
Total regulatory capital	**1,364**	**1,261**
Total capital ratio	**13.8%**	**13.8%**

CET1 core capital

Core capital corresponds to the share capital and associated issue premiums, reserves, income net of taxes before allocation and other items of accumulated comprehensive income and minority interests after application of the transitional provisions for the prudential filters.

The CET1 core capital of the PSA Banque France Group accounted for 89% of total regulatory capital as of the end of December 2019 and totalled €1,209 million.

AT1 regulatory capital

AT1 regulatory capital consists of equity instruments net of any repayment incentives or obligations in accordance with Articles 51 and 52 of the CRR. The PSA Banque France Group does not hold any of these instruments.

T2 regulatory capital

T2 regulatory capital consists of subordinated debt instruments with a minimum duration of five years with no early repayment during the first five years, in accordance with Articles 62 and 63 of the CRR. It totalled €155 million as of 31 December 2019 in the subordinated loan category after two loans which must be handled identically and simultaneously (impairment and/or conversion).

TABLE CCA – MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS AND OF OTHER TLAC-ELIGIBLE INSTRUMENTS

	Quantitative / qualitative information	Quantitative / qualitative information
Issuer	PSA Banque France	PSA Banque France
Unique identifier	PSA Finance Nederland Subordinated Loan	SCF Subordinated Loan
Governing law(s) of the instrument	French	French
Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	NA	NA
Transitional Basel III rules	Tier 2	Tier 2
Post-transitional Basel III rules	Tier 2	Tier 2
Eligible at solo/group/group and solo	Group	Group
Instrument type	Subordinated loan – Art. 62 and following of CRR No. 575/2013 amended by CRR No. 2019/876	Subordinated loan – Art. 62 and following of CRR No. 575/2013 amended by CRR No. 2019/876
Amount recognised in regulatory capital (currency in thousands, as of most recent reporting date)	77,500 thousand euros	77,500 thousand euros
Par value of instrument	77,500 thousand euros	77,500 thousand euros
Accounting classification	liabilities at amortised cost	liabilities at amortised cost
Original date of issuance	15/12/2017	15/12/2017
Perpetual or dated	Dated	Dated
Original maturity date	15/12/2027	15/12/2027
Issuer call subject to prior supervisory approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	after the fifth year, in whole, without cost or penalty - subject to a similar treatment in the SCF Subordinated Loan	after the fifth year, in whole, without cost or penalty - subject to a similar treatment in the PSA Finance Nederland Subordinated Loan
Dividend/fixed or floating rate coupon	Floating	Floating
Coupon rate and any related index	E3M+1.91%	E3M+1.91%
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory
Existence of step-up or other incentive to redeem	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible*	Non-convertible*
Characteristic of impairment	No*	No*
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated to the PSA Banque France senior debt	Subordinated to the PSA Banque France senior debt
Non-compliant transitioned features	No	No

* *the regulatory provisions will apply – i.e. write-down or conversion to common shares according to regulatory decision*

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1.4.3.2.2 Regulatory capital requirements

Regulatory requirements are determined in accordance with the laws and transitional provisions applicable as of 1 January 2014 to credit institutions and investment companies as published in the Official Journal of the European Union on 26 June 2013: Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV).

On 6 April 2009, the ACPR authorised Banque PSA Finance to use the Advanced Internal Ratings-Based Approach (A-IRB) to calculate the regulatory capital requirement for the Retail portfolio, and the Foundation Internal Ratings-Based Approach (F-IRB) for the Corporate portfolio. This measure has been applied to the entities of the PSA Banque France Group since 1 January 2009.

In the context of the implementation of the cooperation between Banque PSA Finance and Santander Consumer Finance in 2015, the two partners aimed to keep using the internal ratings models developed by Banque PSA Finance, after review and validation of these models by Santander Group's Internal Validation Team, and after approval by the competent supervisory authorities.

As such, the PSA Banque France Group's internal rating system was inspected by the European Central Bank, further to which PSA Banque France received authorisation in 2017 to maintain the internal rating methods originally developed by Banque PSA Finance for calculating risk-weighted assets (RWA). Since 2019, following the implementation of a synthetic risk transfer transaction, the senior securities held by CREDIPAR have been assessed using the SEC IRB approach.

All of the data used to model and calculate credit risk are extracted from the management accounting systems. The latter feed into the common risk databases: BRC (the central risk database for Retail customers) and BUIC (the Corporate customer database) that are used to uniformly track all risk parameters applicable to the PSA Banque France Group. The information from the risk management databases feed the central regulatory capital management tool (Risk Authority).

At the same time, some accounting data are also integrated with this central tool. After reconciling management and statutory accounting data, the minimum capital requirement is calculated using the aforementioned tools, and regulatory capital reports are produced.

Operational risk is measured using the standard approach. Thus, the minimum capital requirement is calculated by applying a 12% ratio to retail net banking income and a 15% ratio to non-retail net banking income from other asset segments.

TABLE OV1 – OVERVIEW OF RWAS

The table provides an overview of total RWA forming the denominator of the risk-based capital requirements calculated in accordance with Article 92 of the CRR.

	RWA		Minimum capital requirements
(in million euros)	31/12/2019	31/12/2018	31/12/2019
Credit risk (excluding CCR)	**8,876**	**8,439**	**711**
Of which the standardised approach	1,083	855	87
Of which the foundation IRB (F-IRB) approach	4,338	3,944	347
Of which the advanced IRB (A-IRB) approach	3,455	3,640	277
Of which equity IRB under the simple risk-weighted approach or the internal model approach (IMA)			
CCR	**4**	**5**	**-**
Of which mark to market			
Of which original exposure			
Of which the standardised approach	4	5	-
Of which internal model method (IMM)			
Of which risk exposure amount for contributions to the default fund of a CCP			
Of which CVA			
Settlement risk			
Securitisation exposures in the banking book (after the cap)	**203**	**-**	**16**
Of which IRB approach	203		16
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	**776**	**714**	**62**
Of which basic indicator approach			
Of which standardised approach	776	714	62
Of which advanced measurement approach			
Amounts below the thresholds for deduction (subject to 250% risk weight)			
Floor adjustment			
TOTAL	**9,859**	**9,158**	**789**

Risk Weighted Assets (RWA) for credit risk, market risk and operational risk were €9,859 million as of 31 December 2019 compared to €9,158 million as of 31 December 2018.

The increase in RWA reflects the growth in global business activity of the PSA Banque France Group, attenuated by the SRT transaction put in place on the Retail portfolio of traditional loans in November 2019.

1.4.3.2.3 Management of internal capital

The capital policy, approved by the Group's two shareholders, determines the criteria to be applied to define the internal capital objectives of the PSA Banque France Group and identify the share capital required to comply with regulatory ratios (Pillar I and Pillar II) and the return on equity (ROE).

The internal capital requirement corresponds to the minimum capital threshold the management of the PSA Banque France Group believes it needs to manage its risk profile and strategy.

The dividend distribution policy defines the criteria to establish the profit which can be distributed by the PSA Banque France Group to its two shareholders: Banque PSA Finance and Santander Consumer Finance.

It is proposed and approved by the ALCO Committee as part of internal capital management. It is consistent with the risk profile of the Group and is intended to meet regulatory requirements.

1.4.4 Leverage ratio

The leverage ratio compares Tier 1 regulatory capital (the numerator) to an exposure consisting of the balance sheet items and off-balance sheet items which are not risk-weighted (denominator).

The leverage ratio is not sensitive to risk factors and, as a result, it is considered to be a measurement which completes the solvency and liquidity management system and enables the management of balance sheet growth.

The ratio is currently calculated for information purposes. It will become a regulatory limit with the entry into effect of "CRR II" which will be applicable as of 30 June 2021.

Excessive leverage risk can lead to corrective measures which were not provided for by the financial and capital plan and, notably to asset disposals. The leverage ratio is part of the risk management system.

The leverage ratio as of 31 December 2019 was 7.6%, well above the regulatory threshold of 3%. In addition, given that the PSA Banque France Group's balance sheet and off-balance sheet exposures are relatively stable due to the nature of its activities, this ratio is not very volatile.

The ratio is included in the risk dashboard provided to the Audit and Risk Committee and the Board of Directors on a quarterly basis. Although the ratio is higher than the regulatory requirements, the internal limit targets a level above 6%.

TABLE LRSUM: SUMMARY RECONCILIATION OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURES

This model was developed in application of Article 451(1)(b) of the CRR to reconcile the total exposure calculation with the related information in the published financial statements.

(in million euros)	**Applicable Amount**
Total assets as per published financial statements	**15,362**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
(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. 575/2013)	
Adjustments for derivative financial instruments	14
Adjustment for securities financing transactions (SFTs)	
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	649
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013)	
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013)	
Other adjustments	(90)
LEVERAGE RATIO TOTAL EXPOSURE MEASURE	**15,935**

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TABLE LRCOM – LEVERAGE RATIO COMMON DISCLOSURE

The table below provides a detailed breakdown of the components of the leverage ratio denominator and information about the current leverage ratio, the minimum requirements and the buffers.

	(in million euros)	**CRR leverage ratio exposures**
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	15,386
2	(Asset amounts deducted in determining Tier 1 capital)	(114)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**15,272**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	14
EU(5)a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivatives exposures (sum of lines 4 to 10)**	**14**
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU(14)a	Derogation for SFTs : Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No. 575/2013	
15	Agent transaction exposures	
EU(15)a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	1,381
18	(Adjustments for conversion to credit equivalent amounts)	(732)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**649**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	
EU(19)a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	
EU(19)b	**(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))**	
	Capital and total exposure measure	
20	**Tier 1 capital**	**1,209**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**15,935**
	Leverage ratio	
22	**Leverage ratio**	**7.6%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU(23)	Choice on transitional arrangements for the definition of the capital measures	
EU(24)	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013.	

TABLE LRSPL – SPLIT-UP OF ON BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS AND EXEMPTED EXPOSURES)

This model was developed in application of Article 451(1)(b) of the CRR to provide a breakdown of the total exposures on the balance sheet of institutions.

(in million euros)	**CRR leverage ratio exposures**
TOTAL ON-BALANCE SHEET EXPOSURES (EXCLUDING DERIVATIVES, SFTS, AND EXEMPTED EXPOSURES), OF WHICH :	**15,386**
Trading book exposures	
Banking book exposures, of which :	15,386
Covered bonds	
Exposures treated as sovereigns	538
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	49
Institutions	173
Secured by mortgages of immovable properties	
Retail exposures	6,639
Corporate	5,278
Exposures in default	96
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	2,613

1.4.5 Credit risk

1.4.5.1 CREDIT RISK EXPOSURE

Exposure in the event of default (EAD) includes credit exposures as recorded in the balance sheet and off-balance sheet.

The PSA Banque France Group uses three loan classification levels (stages) and determines their impairment on an individual or collective basis as described in Section 1.3.2.

The segmentation of the PSA Banque France Group's business portfolios follows the Basel classification: the two business units, Fleet (financing of corporate and government vehicle fleets) and Wholesale (financing of PSA dealer networks) are exclusively dedicated to the Basel Corporate – Banks – Local authorities – Sovereigns portfolios, while the Retail financing business (Individuals, SMEs) makes up the Basel Retail portfolio.

The rating framework in this system are also split into Retail and Corporate. The resulting parameters (PD, LGD, EAD) are those used to calculate the regulatory capital requirements for credit risk.

TABLE CRB-B – TOTAL AND AVERAGE NET AMOUNT OF EXPOSURES

The table below illustrates the total and average amounts of net exposures for the financial period by exposure category.

(in million euros)	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks		
Institutions		
Corporates	5,200	4,579
Of which: Specialised lending		
Of which: SMEs	*689*	*624*
Retail	6,740	7,398
Secured by real estate property		
SMEs		
Non-SMEs		
Qualifying revolving		
Other retail	*6,740*	*7,398*
SMEs	*2,375*	*2,281*
Non-SMEs	*4,365*	*5,117*
Equity		
Total IRB approach	**11,940**	**11,977**
Central governments or central banks	538	479
Regional governments or local authorities	52	54
Public sector entities		
Multilateral development banks		
International organisations		
Institutions	187	253
Corporates	1,088	1,428
Of which: SMEs	*178*	*157*
Retail	350	338
Of which: SMEs	*193*	*181*
Secured by mortgages on immovable property		
Of which: SMEs		
Exposures in default	10	8
Items associated with particularly high risk		
Covered bonds		
Claims on institutions and corporates with a short-term credit assessment	799	603
Collective investments undertakings		
Equity exposures		
Other exposures	336	294
Total standardised approach	**3,360**	**3,457**
TOTAL	**15,300**	**15,434**

The average is calculated using the data approved on the closing date of each of the four quarters.

TABLE CRB-C – GEOGRAPHICAL BREAKDOWN OF EXPOSURES

The following table shows a breakdown of exposures by geographical areas and exposure classes.

	Net value			
(in million euros)	**France**	**Germany**	**Spain**	**Total**
Central governments or central banks				
Institutions				
Corporates	5,200			5,200
Retail	6,740			6,740
Equity				
Total IRB approach	**11,940**	**-**	**-**	**11,940**
Central governments or central banks	538			538
Regional governments or local authorities	52			52
Public sector entities				
Multilateral development banks				
International organisations				
Institutions	180	5	2	187
Corporates	1,088			1,088
Retail	350			350
Secured by mortgages on immovable property				
Exposures in default	10			10
Items associated with particularly high risk				
Covered bonds				
Claims on institutions and corporates with a short-term credit assessment	673		126	799
Collective investments undertakings				
Equity exposures				
Other exposures	336			336
Total standardised approach	**3,227**	**5**	**128**	**3,360**
TOTAL	**15,167**	**5**	**128**	**15,300**

TABLE CRB-D – CONCENTRATION OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

The following table shows a breakdown of exposures by industry or counterparty types and exposure classes according to the IRB approach.

(in million euros)	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommo-dation and food service activities
Central governments or central banks									
Institutions									
Corporates	7		175	1	7	313	1,950	98	42 ...
Retail	9		226	1	8	405	2,527	127	56 ...
Equity									
TOTAL IRB APPROACH	**16**		**401**	**2**	**15**	**718**	**4,477**	**225**	**98 ...**

(in million euros)		Information and com-munication	Real estate activities	Professional, scientific and technical activities	Adminis-trative and support service activities	Public adminis-tration and defence, compulsory social security	Education	Human health services and social work activities	Arts, entertain-ment and recreation	Other services	Total
Central governments or central banks											
Institutions											
Corporates	...	32	44	148	173	1	67	143	10	1,989	5,200
Retail	...	43	58	192	225		86	187	14	2,576	6,740
Equity											
TOTAL IRB APPROACH	**...**	**75**	**102**	**340**	**398**	**1**	**153**	**330**	**24**	**4,565**	**11,940**

TABLE CRB-E – MATURITY OF EXPOSURES

The following table shows a breakdown of net exposures by residual maturity and exposure classes. These exposures are not restated for items deducted from regulatory capital.

(in million euros)	Central governments or central banks	Corporate	Retail	Other categories	Total balance-sheet exposures
Residual maturity below 3 months	1,448	3,640	395	405	5,888
> 3 months ≤ 1 year	15	1,893	1,196	-	3,104
> 1 year ≤ 5 years	30	2,304	3,996	-	6,330
> 5 years	-	21	19	-	40
TOTAL	**1,493**	**7,858**	**5,606**	**405**	**15,362**

Breakdowns by residual maturity are based on NSFR regulatory reporting at the end of December 2019.

TABLE CR1-A – CREDIT QUALITY OF EXPOSURES BY EXPOSURE CLASS AND INSTRUMENT

The following table shows a comprehensive picture of the credit quality of an institution's on-balance-sheet and off-balance-sheet exposures.

	Gross carrying values of						
(in million euros)	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net values**
Central governments or central banks							
Institutions							
Corporates	75	5,157	32			1	5,200
Of which: Specialised lending							
Of which: SMEs	*18*	*683*	*12*			*(1)*	*689*
Retail	110	6,736	106	-	-	4	6,740
Secured by real estate property							
SMEs							
Non-SMEs							
Qualifying revolving							
Other retail	110	6,736	106	-	-	4	6,740
SMEs	*49*	*2,373*	*47*			*9*	*2,375*
Non-SMEs	*61*	*4,363*	*59*			*(5)*	*4,365*
Equity							
Total IRB approach	**185**	**11,893**	**138**	**-**	**-**	**5**	**11,940**
Central governments or central banks		538					538
Regional governments or local authorities	5	52					57
Public sector entities							
Multilateral development banks							
International organisations							
Institutions		187					187
Corporates	7	1,088					1,095
Of which: SMEs	*2*	*178*					*180*
Retail	29	352	1			1	380
Of which: SMEs	*4*	*194*	*1*			*1*	*197*
Secured by mortgages on immovable property							
Of which: SMEs							
Exposures in default			32			5	(32)
Items associated with particularly high risk							
Covered bonds							
Claims on institutions and corporates with a short-term credit assessment		799					799
Collective investments undertakings							
Equity exposures							
Other exposures		336					336
Total standardised approach	**41**	**3,352**	**33**	**-**	**-**	**6**	**3,360**
TOTAL	**226**	**15,245**	**171**	**-**	**-**	**11**	**15,300**

TABLE CR1-B – CREDIT QUALITY OF EXPOSURES BY INDUSTRY OR COUNTERPARTY TYPES

The table provides a comprehensive picture of the credit quality of an institution's on-balance-sheet and off-balance-sheet exposures by industry or counterparty types according to the IRB approach.

	Gross carrying values of						
(in million euros)	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges**	**Net values**
Agriculture, forestry and fishing		16					16
Mining and quarrying							-
Manufacturing	11	397	7			1	401
Electricity, gas, steam and air conditioning supply		2					2
Water supply		15					15
Construction	6	724	12			1	718
Wholesale and retail trade	131	4,372	26				4,477
Transport and storage	3	227	5			2	225
Accommodation and food service activities	-	100	2				98
Information and communication	1	75	1				75
Real estate activities	5	98	1			1	102
Professional, scientific and technical activities	7	338	5				340
Administrative and support service activities	18	389	9			1	398
Public administration and defence, compulsory social security		1					1
Education		157	4				153
Human health services and social work activities	1	331	2				330
Arts, entertainment and recreation		24	-				24
Other services	2	4,627	64			(1)	4,565
TOTAL IRB APPROACH	**185**	**11,893**	**138**			**5**	**11,940**

TABLE CR1-C – CREDIT QUALITY OF EXPOSURES BY GEOGRAPHY

The table provides a comprehensive picture of the credit quality of an institution's on-balance-sheet and off-balance-sheet exposures by geography.

	Gross carrying values of						
(in million euros)	**Defaulted exposures**	**Non-defaulted exposures**	**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges**	**Net values**
France	226	15,112	171			11	15,167
Germany		5					5
Spain		128					128
TOTAL	**226**	**15,245**	**171**	**-**	**-**	**11**	**15,300**

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TABLE CR1-D – AGEING OF PAST-DUE EXPOSURES

The table provides an ageing analysis of accounting on-balance-sheet past-due exposures regardless of their impairment status.

	Gross carrying values				
(in million euros)	≤ 30 days	> 30 days ≤ 90 days	> 90days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	711	65	137	52	69
Debt securities					
TOTAL EXPOSURES	**711**	**65**	**137**	**52**	**69**

TABLE CR1-E – NON-PERFORMING AND FORBORNE EXPOSURES

The table provides an overview of non-performing and forborne exposures as per the Commission Implementing Regulation (EU) No. 680/2014.

	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing, but past due > 30 days and ≤ 90 days	Of which performing forbornes	Of which non-performing				On performing exposures		On non-performing exposures		On non- performing exposures	
(in million euros)					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		Of which forborne exposures
Debt securities													
Loans and advances	15,135	55	15	45	45	45	-	(36)	(2)	(35)	(35)	-	-
Off-balance sheet exposures	1,624	-	-	-	-	-	-	-	-	-	-	-	-

TABLE 1 NPE-FBR – CREDIT QUALITY OF FORBORNE EXPOSURES

The table provides an overview of the quality of forborne exposures as per Commission Implementing Regulation (EU) No. 680/2014.

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne						
(in million euros)			Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	**15**	**45**	**45**	**45**	**(2)**	**(35)**		
Central banks								
General governments								
Credit institutions								
Other financial corporations								
Non-financial corporations	1	13	13	13	-	(12)		
Households	14	32	32	32	(2)	(23)		
Debt securities								
Loan commitments given								
TOTAL	**15**	**45**	**45**	**45**	**(2)**	**(36)**		

TABLE 3 NPE-FBR – CREDIT QUALITY OF PERFORMING AND NON-PERFORMING EXPOSURES BY PAST DUE DAYS

The table provides an overview of credit quality of non-performing exposures, as per Commission Implementing Regulation (EU) No. 680/2014.

	Gross carrying amount/nominal amount									
	Performing exposures			Non-performing exposures						
(in million euros)		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 5 years	Past due > 5 years	Of which defaulted
Loans and advances	**14,831**	**14,776**	**55**	**304**	**46**	**137**	**52**	**47**	**22**	**226**
Central banks	453	453	-	-	-	-	-	-	-	-
General governments	55	50	5	6	1	1	2	2	-	5
Credit institutions	979	979	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	7,737	7,713	24	206	29	123	37	16	1	129
Of which SMEs	*3,336*	*3,322*	*14*	*74*	*25*	*22*	*10*	*16*	*1*	*74*
Households	5,607	5,581	26	92	16	13	13	29	21	92
Debt securities										
Central banks										
General governments										
Credit institutions										
Other financial corporations										
Non-financial corporations										
Off-balance-sheet exposures	**1,620**			**4**						
Central banks	942									
General governments	3									
Credit institutions										
Other financial corporations										
Non-financial corporations	459			4						
Households	216									
TOTAL	**16,451**	**14,776**	**55**	**308**	**46**	**137**	**52**	**47**	**22**	**226**

1.4.5.2 CREDIT RISK MANAGEMENT

Credit risk is the risk of loss arising from the failure of a customer to meet the payment or other obligations of a contract with the PSA Banque France Group. While the Group generally has the ability to recover and resell the financed vehicle following a customer default, the resale value of a recovered vehicle may not be sufficient to cover the default loss. Furthermore, contractually, the PSA Banque France Group does not assume the residual value risk on vehicles, because of the buy-back commitments from the car dealers or the manufacturer itself.

Regardless of the prudent customer-selection policy, credit risk is influenced by economic conditions, both in terms of defaults and the market value of recovered vehicles that are sold on the secondary market.

1.4.5.2.1 Credit risk measurement

Risk is measured on a daily basis.

At the time financing is granted, risk measurement is based on internal rating models developed and backtested by risk experts. Customers are selected using rating models (for Corporate customers) or scoring decision-making tools (for Retail customers). Both are managed and controlled by the PSA Banque France Group's Risk Department with the support of the shareholders, Banque PSA Finance, and Santander Consumer Finance. The decision-making systems are set up according to the specific characteristics of the French car market, thus optimising its efficiency and ensuring its compliance. Monitoring is regularly carried out to measure the effectiveness of the tools.

For financing to individual customers and small and medium-sized businesses (considered Retail customers), loan applications are either automatically authorised or require additional assessment procedures, which are requested either by the risk expert systems or at the credit analyst's own initiative. Inputs are obtained from external credit databases or from internal data, such as customer payment histories (in the case of a financing renewal following a new vehicle purchase). The monitoring of decisions to grant retail loans is submitted to the PSA Banque France Group's Credit Committee or to the Cooperation Credit Committee, depending on the delegation level.

For Corporate portfolios (consisting of major companies and public entities and of the Peugeot, Citroën and DS dealer networks), the decisions to grant loans follow the same approach and are approved by the Local Credit Committee or the Cooperation Credit Committee managed by the shareholders.

The brand dealer network portfolio is closely monitored and managed by the dealer Network Management Committees with the Peugeot, Citroën and DS brands.

1.4.5.2.2 Credit risk management

Credit risk management is based on:

- a product range specifying the legal framework for the product and related securities, maximum term, minimum down payment, step-up amounts, if applicable, and residual values;
- checking the risk of over-invoicing the financed amount and checking double financing;
- loan grants, which can be based on certain conditions (contribution level, guarantee, etc.);
- strict delegation of authority rules governing loan applications and lending limits;
- verification, prior to the release of financing, of the supporting documents requested as part of the loan application process, including any loan approval guarantee conditions.

In addition to the above, for the Corporate dealer portfolios:

- setting lines of credit and the associated period of validity. The lines of credit are individualised by financial product and are not mutually fungible, except in the case of inventory financing;
- collective guarantees packages or securities taken when the relationship is established, on renewal of credit lines or if the creditworthiness is downgraded between two renewal dates. Securities may be personal guarantees, related to identified assets, be provided by credit insurers or take the form of bank guarantees;
- daily monitoring of payment incidents;
- a progressive alert system, from placing on watch list to declaring a delinquent loan, including conditional default, i.e. even if the loan is not past due;
- qualification of the portfolio using the Santander Consumer Finance method, which consists in defining an overall credit strategy based on the risk profile of each Corporate customer;
- a system triggering a review of a dealer's credit rating, according to financial or sales indicators;
- inventory audits whose frequency depends on the dealer's risk profile and the retention of the registration documents for the financing of certain used vehicles or at certain dealers;
- lastly, network financing contracts which provide for the pledging of financed vehicles at any time depending on the provisions in effect.

1.4.5.2.3 Credit risk monitoring

Risk monitoring for the Retail business covers:

- trends in the quality of credit applications and the quality of new loan production;
- the change in past-dues by customer type and the source of the request (brand, point-of-sale, underwriting entity);
- indicators of payment history by financing type, customer segment, production year, etc.;

- Basel risk measurement indicators for the loan portfolio.

Risk monitoring indicators are analysed by the PSA Banque France Group analysts. Risk areas detected may result in amending risk assessments or risk control measures.

Monitoring of risk for the Corporate portfolio primarily consists of:

- monitoring drawdowns of credit lines;
- regular monitoring of the financial situation and of the interim results of the counterparty in absolute value and in relative value compared to the overall network results;
- tracking of payment incidents and past-dues and their resolution;
- monitoring of potentially serious incidents, such as winding up a business, restructuring or court-ordered liquidation through automatic information feedback;
- tracking credit line drawdowns, payment incidents and reports from stock audits for dealer financing;
- the very close monitoring of dealers included in the watch list, or of those with delinquent or conditionally delinquent accounts and/or for which the PSA Banque France Group credit strategy is to reduce or exit the financing;
- a monthly internal dealer Corporate Supervisory Committee meeting with the Risk Management and Control Committee attended by representatives, with no voting rights, responsible for the management of the Peugeot, Citroën and DS brands.

Cross-cutting risk monitoring is also performed on an ongoing basis by the risk oversight and control department. Very regular monitoring (quantitative and qualitative) of the credit risk is done on all portfolios and communicated within the PSA Banque France Group and to shareholders. The supervision and monitoring of credit risk for all portfolios (Retail and Corporate), are managed by the Risk Management and Control Committee and the results are reported to the Executive Committee monthly by this committee.

1.4.5.3 DIVERSIFICATION OF CREDIT/CONCENTRATION RISK

1.4.5.3.1 Risk factors

Concentration risk results from a significant accumulation of exposures in certain categories, sectors or markets.

The PSA Banque France Group is exposed to several types of concentration risk:

- concentration risk related to the granting of credit to individuals;
- the sectorial concentration risk of credit transactions.

1.4.5.3.2 Concentration risk measurement, management and monitoring

Individual concentration risk is managed via internal limits and by the 25% prudential regulatory capital limit, in compliance with the Risk Appetite Framework.

The level of concentration risk is analysed using concentration indices for sector and individual credit operations. The bank has set limits for concentration risks related to individuals, sectors and credit institutions granting banking lines to the PSA Banque France Group and its entities.

Depending on type, the concentration risk limits are presented on a monthly basis to the Risk Management and Control Committee and to the various monitoring bodies within the PSA Banque France Group.

The PSA Banque France Group closely monitors the level of its commitments in relation to the PSA Group.

At 31 December 2019, the outstanding loans of the PSA Banque France Group to the PSA Group stood at €190 million, representing 14% of regulatory capital.

On the same date, the PSA Banque France Group's 10 main outstanding loans, other than those to the PSA Group, totalled €2,018 million.

These 10 main outstanding loans break down into the following counterparty categories:

- Banks: €375 million;
- Dealer network (with no financial ties to the PSA Group): €1,445 million;
- Corporate (excluding dealer network): €198 million.

As of 31 December 2019, there was no net exposure on a counterparty in excess of 25% of regulatory capital. This is partially due to the purchase in 2019 of two credit insurance policies with two leading insurers for the partial hedging of the risks related to vehicle inventory and spare parts financing operations for the main dealers financed by the PSA Banque France Group.

1.4.5.4 STANDARD METHOD

Central governments and central banks, banking institutions and local authorities are assessed using the standard method to calculate their regulatory capital needs.

In order to calculate the regulatory capital need for credit risk using the standard method, the PSA Banque France Group's external rating system consists in allocating a short- or long-term rating to each counterparty based on three External Credit Assessment Institutions (ECAI), (by priority order: Standard & Poor's, Moody's and Fitch).

The reconciliation of these ratings with the credit levels provided for in the regulations complies with the requirements of the supervisor.

No other external system which is not directly applicable is used. For unrated exposures, the PSA Banque France Group applies the regulatory weighting in accordance with the provisions of the CRR.

Credit quality steps	**1**	**2**	**3**	**4**	**5**	**6**
Standard & Poor's Global Ratings						
Long-term issuer credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, R, SD/D
Long-term issuer credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Insurer financial health rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, SD/D, R
Fund credit quality rating scale	AAAf, Aaf	Af	BBBf	BBf	Bf	CCCf
Mid-Market company rating scale (*Mid Market evaluation)*		MM1	MM2	MM3, MM4	MM5, MM6	MM7, MM8, MMD
Short-term issuer credit rating scale	A-1+	A-1	A-2, A-3	B, C, R, SD/D		
Short-term issuer credit rating scale	A-1+	A-1	A-2, A-3	B, C, D		
Moody's Investors Service						
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Bond fund rating scale	Aaa-bf, Aa-bf	A-bf	Baa-bf	Ba-bf	B-bf	Caa-bf, Ca-bf, C-bf
Global short-term rating scale	P-1	P-2	P-3	NP		
Fitch Ratings						
Long-term issuer credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, RD, D
Corporate finance bonds – Long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C
International long-term insurer financial health (IFS) rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C
Short-term rating scale	F1+	F1	F2, F3	B, C, RD, D		
Short-term insurer financial health (IFS) rating scale	F1+	F1	F2, F3	B, C		

TABLE CR4 – STANDARDISED APPROACH – CREDIT RISK EXPOSURE AND CRM EFFECTS

The table illustrates the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR, including the financial collateral simple method and the financial collateral comprehensive method in the application of Article 222 and Article 223 of the same regulation on standardised approach capital requirements' calculations. RWA density provides a synthetic metric on the riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
(in million euros)	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWAs	RWA density
Central governments or central banks	538		538			0%
Regional government or local authorities	49	3	49	3	10	19%
Public sector entities						
Multilateral development banks						
International organisations						
Institutions	187		185		38	21%
Corporates	220	868	525	64	302	51%
Retail	333	17	333	17	228	65%
Secured by mortgages on immovable property						
Exposures in default	5	5	5	5	13	130%
Exposures associated with particularly high risk						
Covered bonds						
Institutions and corporates with a short-term credit assessment	799		799		160	20%
Collective investment undertakings						
Equity						
Other items	336		336		336	100%
TOTAL	**2,467**	**893**	**2,770**	**89**	**1,087**	**38%**

Note : exposures include counterparty risk.

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TABLE CR5 – STANDARDISED APPROACH

The table presents the breakdown of exposures under the standardised approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to the standardised approach). The risk weights in table EU CR5 encompass all those assigned to each credit quality step in Article 113 to Article 134 in Part Three, Title II, Chapter 2 of the CRR.

	Risk weight																Total	Of which unrated
(in million euros)	**0%**	**2%**	**4%**	**10%**	**20%**	**35%**	**50%**	**70%**	**75%**	**100%**	**150%**	**250%**	**370%**	**1 250%**	**Others**	**Deducted**		
Central governments or central banks	538																538	538
Regional government or local authorities					52												52	52
Public sector entities																	-	
Multilateral development banks																	-	
International organisations																	-	
Institutions					180		5										185	173
Corporates					305					284							589	285
Retail									350								350	350
Secured by mortgages on immovable property																	-	
Exposures in default										6	4						10	10
Exposures associated with particularly high risk																	-	
Covered bonds																	-	
Institutions and corporates with a short-term credit assessment					799												799	
Collective investment undertakings																	-	
Equity																	-	
Other items										336							336	336
TOTAL	**538**	**-**	**-**	**-**	**1,336**	**-**	**5**	**-**	**350**	**626**	**4**	**-**	**-**	**-**	**-**	**-**	**2,859**	**1,744**

1.4.5.5 ADVANCED APPROACH (ARTICLE 452)

1.4.5.5.1 Scope of application of the internal ratings (IRB)

In 2017, the Governing Council of the European Central Bank confirmed the authorisation granted to PSA Banque France Group to use an approach based on internal ratings to calculate its weighted exposure amounts based on the following procedures.

Advanced approach (A-IRB)

Advanced approach exposures consist of retail customers (Retail portfolios) which combine all financing (loans and leases) granted to natural persons (Individuals and Professionals) and to SMEs whose outstanding loans do not exceed €500,000. The models are segmented as follows:

(in million euros)	**Portfolios**	**Pattern**	**EAD post CCF and CRM**	**RWAs**	**Model description**
PD	Households	PD – households	4,424	2,314	Statistical model with a long-term average PD
	SMEs	PD – SMEs with financial data	699	317	Statistical model with a long-term average PD
		PD – SMEs without financial data	1,695	814	Statistical model with a long-term average PD
		PD – households	28	10	Statistical model with a long-term average PD
TOTAL			**6,846**	**3,455**	

(in million euros)	**Portfolios**	**Pattern**	**EAD post CCF and CRM**	**RWAs**	**Model description**
EAD	Retail	CCF – on-balance sheet outstanding	6,388	3,236	By applying a 100% CCF
		CCF – off balance sheet outstanding	458	219	By applying a 100% CCF
TOTAL			**6,846**	**3,455**	

(in million euros)	**Portfolios**	**Pattern**	**EAD post CCF and CRM**	**RWAs**	**Model description**
LGD	performing portfolio	LGD – credit sales – new cars	326	154	Statistical model applying a LGD in low cycle conditions
		LGD – credit sales – used cars	727	591	Statistical model applying a LGD in low cycle conditions
		LGD – rental cars	5,684	2,556	Statistical model applying a LGD in low cycle conditions
	defaulted portfolio	LGD of the defaulted portfolio	109	154	Statistical model applying a LGD in low cycle conditions
TOTAL			**6,846**	**3,455**	

Foundation approach (F-IRB)

F-IRB approach applies to exposures on Fleets Portfolio (SMEs and Large Corporate companies) and Wholesale portfolio (dealer network and affiliates to the PSA Group). The models are segmented as follows:

(in million euros)	Portfolios	Pattern	EAD post CCF and CRM	RWAs	Model description
PD	Flees	Rating fleets	964	838	Statistical model with a long-term average PD
	Wholesale	Rating Wholesale	3,885	3,418	Statistical model with a long-term average PD
	SMEs	PD - SMEs with financial data	36	56	Statistical model with a long-term average PD
		PD - SMEs without financial data	19	26	Statistical model with a long-term average PD
TOTAL			**4,904**	**4,338**	

1.4.5.5.2 Description of the internal rating models

All of PSA Banque France's internal rating models are based on the regulatory definition of default, i.e. failure to pay at 90 days, or a strong presumption of non-payment on upcoming due dates. These models are being adapted to the new definition of default issued by the EBA in its guidelines of September 2016 and applicable as of 1 January 2021.

1.4.5.5.2.1 Advanced internal rating models: Retail customers

PD model

Retail customer PD models are built on a long history of PSA Banque France Group customer profile and payer behaviour data. They are assessed on the basis of a significant default rate history in order to obtain a medium- to long-term estimate of the probability of default.

OUTSTANDING BY GRADE OF PD

(in million euros)	Households	SMEs with financial data	SMEs without financial data	Total
[0.03% – 0.50%]	274	100	-	374
[0.50% – 1.00%]	2,987	92	202	3,281
[1.00% – 1.50%]	-	63	261	324
[1.50% – 2.00%]	-	127	349	476
[2.00% – 3.00%]	922	102	394	1,418
[3.00% – 5.00%]	-	75	305	380
[5.00% – 10.00%]	-	85	87	172
[10.00% – 20.00%]	150	33	38	221
[20.00% – 99.99%]	59	7	25	91
100% (default)	60	15	34	109
TOTAL	**4,452**	**699**	**1,695**	**6,846**

LGD model

Retail customer LGD exposure models are built on statistical models which are based on the observation of the loss rates of exposures in default. The loss rate takes into account all financial losses incurred and notably includes the recovery costs for receivables due and the cost of carrying the outstanding loans for the entire recovery period.

The downturn LGD is calibrated on the highest loss rates of the years at the bottom of the economic cycle and more recent years. Margins of conservatism are added to the loss rates observed (weighted by number of files), which include the average volatility of the loss rates.

The loss rates are observed at the end of a five-year recovery period (representative of over 90% of the recovery flows). The recovery processes in progress which have not reached five years are extended to five years to prevent any estimation bias

OUTSTANDING BY GRADE OF LGD

(in million euros)	**EAD post-CRM and post-CCF**
43.0%	5,683
43.3%	326
59.9%	727
TOTAL	**6,736**

Note: average LGDs are calculated by model and 100% PDs are excluded from this table.

1.4.5.5.2.2 Internal foundation rating models: Corporate customers

Two PD models are used for companies:

- the rating assigned to Corporate Wholesale is based on a statistical model, which includes financial and behavioural data analysis, and is used by the analysts. The model is specifically adapted to the automotive market of the PSA dealers;
- the principle is similar for Corporate Fleets, but the rating model is different: it is based on a financial analysis of the rated company (normal ratios and general opinion of the risk analyst), its payment behaviour and its Banque de France rating. A breakdown of the group rating is carried out for all of its subsidiaries based on spread parameters compared to those of the parent company, to determine ratings for each subsidiary.

OUTSTANDING BY RATING

(in million euros)	**Fleets**	**Wholesale**	**Total**
[0.03% – 0.31%]	221	1 385	1,606
[0.31% – 0.80%]	206	568	774
[0.80% – 2.00%]	277	1 256	1 533
[2.00% – 4.00%]	160	520	680
[4.00% – 14.00%]	89	60	149
[14.00% – 99.99%]	50	41	91
100% (default)	16	55	71
TOTAL	**1,019**	**3,885**	**4,904**

1.4.5.5.2.3 Overview of the internal rating models

The average parameters applied to internal ratings are presented in the table below:

Retail	**A-IRB**	**PD average***	**LGD average**	**LGD of defaulted outstandings**
	Households	2.2%		
	SMEs	3.3%	46.6%	85.7%
Corporates	**F-IRB**	**PD average***		
	Fleets	2.2%		
	Wholesale	1.4%		

** 100% PDs are not included in this calculation.*

1.4.5.5.3 Internal rating process

Retail customers are rated automatically: the PD and LGD models are computed every month for all customers, within a data warehouse recording all PSA Banque France Group's financing contracts.

Corporate customers are scored by the PSA Banque France Group's risk analysts at least once a year (or more often depending on their risk level), and they attribute them a rating. An average long-term default probability is assigned to each rating. It is based on the default rates observed over a long period.

Note that the risk analysts have access to Banque de France's external ratings for their Corporate customers (FIBEN rating). This rating is also included in the rating models.

The ratings assigned are not exclusively used to calculate the weighted exposure amounts: they are more broadly used as part of the PSA Banque France Group's risk management policy (definition and monitoring of the bank's risk appetite; loan granting and/or renewal) for the calculation of the expected profitability thresholds (Retail) and unit credit transactions (Corporate) and to determine provisions for the impairment of receivables.

Lastly, a number of management and control reports use the Basel II rating as a characteristic and/or as a segmentation factor.

1.4.5.5.4 Internal rating system quality

The overall quality of the internal rating system is guaranteed by the following:

The governance of internal rating models

The PSA Banque France Group applies the principles of governance of the models established by the Santander Group, based on an organisation with three lines of defense:

- the first line consists of the model owners, the developers and the employees responsible for their IT implementation, the staff responsible for building the models and for their daily monitoring;
- the second line of defense is provided by the Santander Group's independent Internal Model Validation function, which is responsible for the periodic validation of the internal models and their parameters;
- the third line of defense is provided by the PSA Banque France Group's internal audit function, which examines the complete environment of the internal models during its assignments.

The conclusions of these three lines of defense are reported to the Risk Management and Control Committee.

Data quality

Ongoing monitoring of data quality is carried out and corrective actions are taken as necessary to ensure that the models are properly applied and to data in all respects consistent with statistical model development.

Model and parameter monitoring

The internal rating systems are fully backtested annually and checked more often as part of a specific monitoring process.

The backtesting is carried out by Banque PSA Finance, by analysts who are independent of the rating model construction teams. The results are analysed by a dedicated PSA Banque France Group organisation, a unit of the Risk Department, which is also independent of the construction teams and of the internal rating teams (risk analysts).

In parallel, monthly monitoring of the quality of data used for the ratings enables the PSA Banque France Group to ensure the relevance of the models.

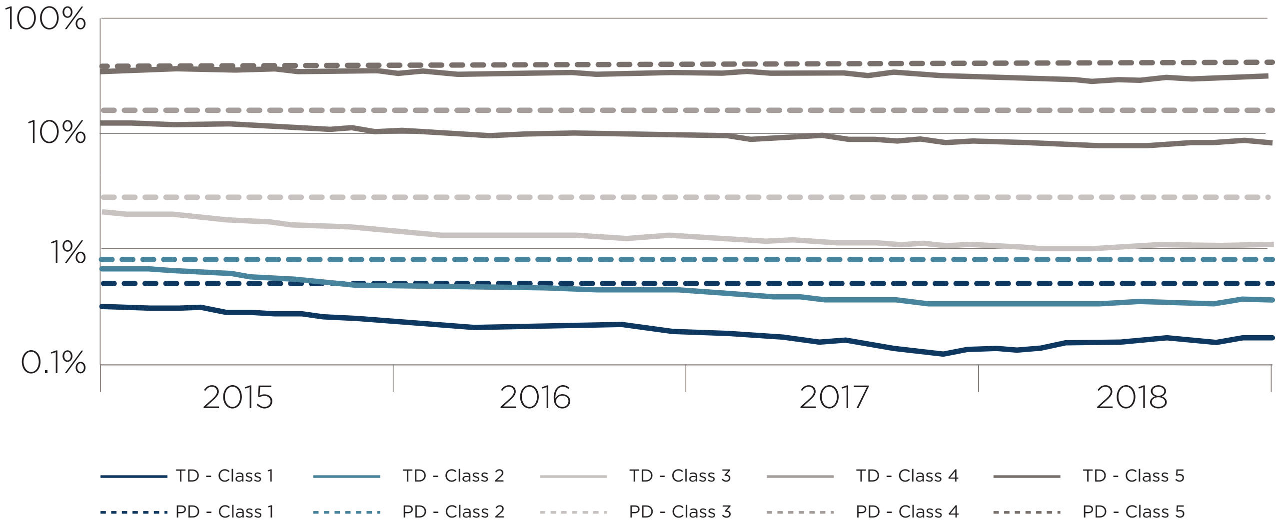
The backtesting of the models and parameters involves the following:

- the overall performance of the model;
- the stability of the variables (stability over time of the distribution of variables by process), of the rating score (PD models) and of the segmentation (LGD models and ELBE;
- the performance of the variables (variable predictability, contribution to the model);
- the stability of the risk classes (via the migration matrices), their performance, and their homogeneity (model calibration quality);
- the suitability of the parameter (comparison of the parameter with the values observed for the default, conversion and loss rates).

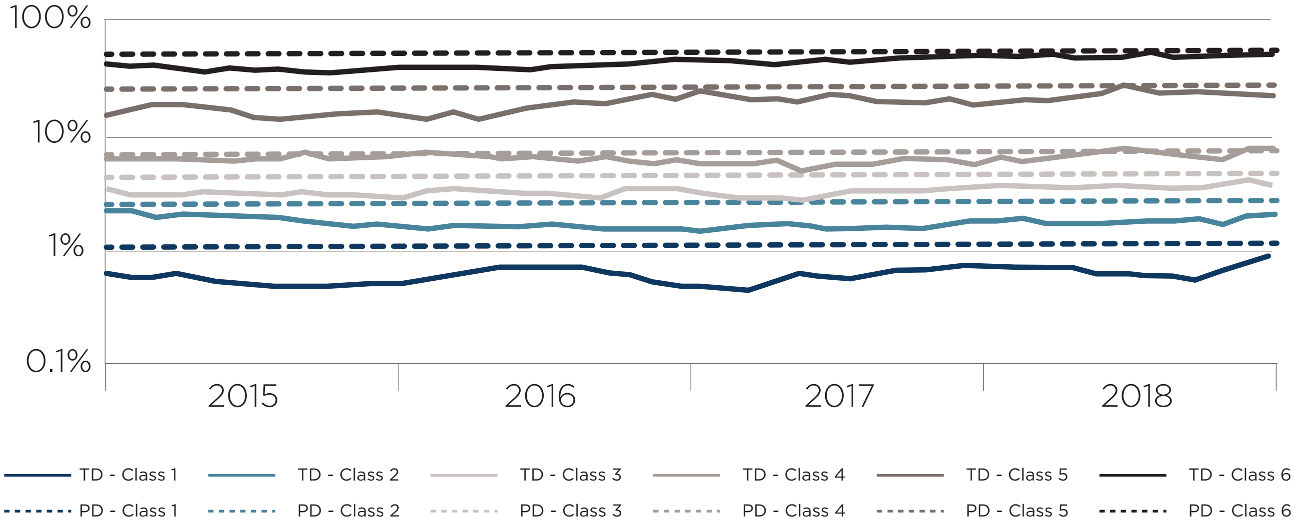
The parameters appear to be sufficiently prudent in the latest backtesting exercises.

1.

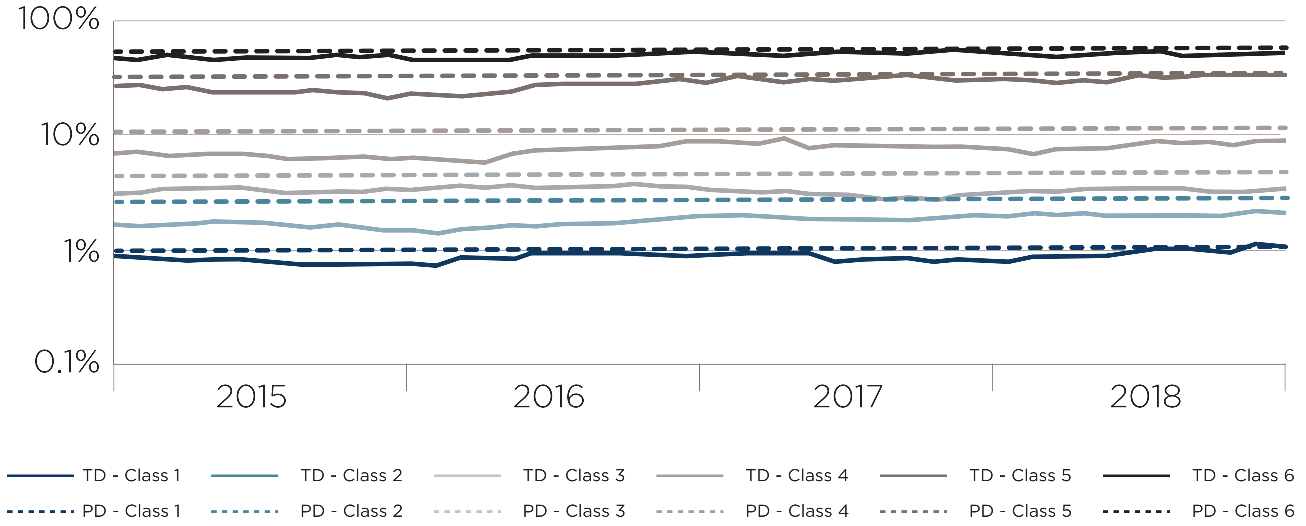
RETAIL CUSTOMERS - PD OF INDIVIDUALS



RETAIL CUSTOMERS - PD OF SMES WITH FINANCIAL INFORMATION



RETAIL CUSTOMERS - PD OF SMES WITHOUT FINANCIAL INFORMATION



1.

TABLE CR6 – IRB APPROACH – CREDIT RISK EXPOSURES BY EXPOSURE CLASS AND PD RANGE

The following tables show the primary parameters used to calculate the regulatory capital requirements with respect to the IRB models. The required publication is intended to present the exposure categories based on PD steps in order to enable the evaluation of the credit quality of the portfolio. Publication of the parameters is intended to increase the transparency of the RWA calculations by institutions and, therefore, improve the reliability of regulatory measurements.

(in million euros)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjust-ments and provisions
F-IRB-Corporates - Other	0.00 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50	1,697	29	75.0%	1,552	0.3%	1,265	45.0%	2.5	894	57.6%	2	
	0.50 to <0.75	478	12	75.0%	472	0.5%	317	45.0%	2.5	358	75.8%	1	
	0.75 to <2.50	1,480	17	75.0%	1,394	1.1%	997	45.0%	2.5	1,403	100.6%	7	
	2.50 to <10.00	631	9	75.0%	628	3.2%	916	45.0%	2.5	873	139.0%	9	
	10.00 to <100.00	119	5	75.0%	123	18.0%	433	45.0%	2.5	293	238.2%	10	
	100.00 (default)	54	-		54	100.0%	74	45.0%	2.5	-	0%	24	
Subtotal		**4,459**	**72**	**75.0%**	**4,223**	**2.7%**	**4,002**	**45.0%**	**2.5**	**3,821**	**90.5%**	**53**	**20**
F-IRB Corporates – SMEs	0.00 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50	256	2	75.0%	257	0.3%	227	45.0%	2.5	133	51.8%	-	
	0.50 to <0.75	98	-	75.0%	98	0.5%	31	45.0%	2.5	68	69.4%	-	
	0.75 to <2.50	132	11	78.5%	141	1.0%	250	45.0%	2.5	113	80.1%	1	
	2.50 to <10.00	149	5	75.0%	137	3.3%	312	45.0%	2.5	152	110.9%	2	
	10.00 to <100.00	30	-	75.0%	30	15.1%	153	45.0%	2.5	51	170.0%	2	
	100.00 (default)	18	-		18	100.0%	54	45.0%	2.5	-		8	
Subtotal		**683**	**18**	**77.0%**	**681**	**4.3%**	**1,027**	**45.0%**	**2.5**	**517**	**75.9%**	**13**	**12**
A-IRB Retail – SMEs	0.00 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50	87	14	100.0%	101	0.0%	4,318	43.1%	-	24	23.8%	-	
	0.50 to <0.75	83	9	100.0%	92	0.7%	4,529	43.1%	-	28	30.4%	-	
	0.75 to <2.50	1,004	20	100.0%	1,024	1.3%	51,359	43.2%	-	398	38.9%	6	
	2.50 to <10.00	912	140	100.0%	1,052	3.9%	58,382	43.2%	-	524	49.8%	18	
	10.00 to <100.00	104	-	100.0%	104	21.5%	7,452	43.3%	-	79	76.0%	10	
	100.00 (default)	49	-		49	100.0%	3,127	80.0%	-	88	179.6%	32	
Subtotal		**2,239**	**183**	**100.0%**	**2,422**	**5.2%**	**129,167**	**43.9%**	**-**	**1,141**	**47.1%**	**66**	**47**

(in million euros)	PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
A-IRB Retail – Other	0.00 to <0.15												
	0.15 to <0.25												
	0.25 to <0.50	271	2	100.0%	273	0.4%	123,338	45.4%		83	30.4%	1	
	0.50 to <0.75												
	0.75 to <2.50	2,799	167	100.0%	2,966	0.8%	324,912	44.3%		1,265	42.7%	10	
	2.50 to <10.00	873	44	100.0%	917	2.7%	150,322	49.9%		665	72.5%	12	
	10.00 to <100.00	208	-		208	21.8%	24,325	49.8%		235	113.0%	23	
	100.00 (default)	60	-		60	100.0%	8,515	90.3%		66	110.0%	49	
Subtotal		**4,211**	**213**	**100.0%**	**4,424**	**3.5%**	**631,412**	**46.4%**		**2,314**	**52.3%**	**95**	**59**
TOTAL (ALL PORTFOLIOS)		**11,592**	**486**	**95.4%**	**11,750**	**3.6%**	**765,608**	**45.3%**		**7,793**	**66.3%**	**227**	**138**

TABLE CR7 – IRB APPROACH – EFFECT ON THE RWAS OF CREDIT DERIVATIVES USED AS CRM TECHNIQUES

The table below illustrates the effect of credit derivatives on the calculation of the regulatory capital requirement based on the IRB approach. The credit pre-derivatives RWA, before taking into account the mitigating effect of credit derivatives, were selected to evaluate the impact of the credit derivatives on RWA. The EU CR7 model includes the impact of the credit derivatives on RWA as a result of substitution effects and their impact on the PD and LGD parameters by virtue of Part three, Title II, Chapter 4 of the CRR.

(in million euros)	Pre-credit derivatives RWAs	Actual RWAs
Exposures under F-IRB	**4,338**	**4,338**
Central governments and central banks	-	-
Institutions	-	-
Corporates – SMEs	517	517
Corporates – Specialised lending	-	-
Corporates – Other	3,821	3,821
Exposures under A-IRB	**3,455**	**3,455**
Central governments and central banks	-	-
Institutions	-	-
Corporates – SMEs	-	-
Corporates – Specialised lending	-	-
Corporates – Other	-	-
Retail – Secured by real estate SMEs	-	-
Retail – Secured by real estate non- SMEs	-	-
Retail – Qualifying revolving	-	-
Retail – Other SMEs	1,141	1,141
Retail – Other non-SMEs	2,314	2,314
Equity IRB		
Other non-credit obligation assets		
TOTAL	**7,793**	**7,793**

TABLE EU CR9 – IRB APPROACH – BACKTESTING OF PD PER EXPOSURE CLASS

It provides backtesting data to validate the reliability of PD calculations. In particular, the table compares the PD used in IRB capital calculations with the effective default rates of institutions obligors. A minimum 5-year average annual default rate is required to compare the PD with a "more stable" default rate, although an institution may use a longer historical period that is consistent with its actual risk management practices.

Exposure category	PD scale	Equivalent external rating	PD weighted average	PD arithmetical average per obligor	Number of obligors at the end of the previous year	Number of obligors at the end of the current year	Defaulted obligors during the year	Of which new obligors	Historical Defaut rate average
Retail - other									
Households	from 0.00 to <0.50	-	0.40%	0.40%	134,544	123,009	227	-	0.21%
	from 0.50 to <1.00	-	0.78%	0.78%	288,779	318,615	1,076	-	0.47%
	from 1.00 to <1.50	-	-	-	-	-	-	-	-
	from 1.50 to <2.00	-	-	-	-	-	-	-	-
	from 2.00 to <3.00	-	2.68%	2.68%	126,902	147,347	1,360	-	1.44%
	from 3.00 to <5.00	-	-	-	-	-	-	-	-
	from 5.00 to <10.00	-	-	-	-	-	-	-	-
	from 10.00 to <20.00	-	14.24%	14.24%	18,357	16,996	1,520	-	9.93%
	from 20.00 to <100.00	-	40.88%	40.88%	7,319	7,388	2,332	-	34.53%
	100 (default)	-	100.00%	-	8,889	8,533	-	-	-
	missing	-	-	-	-	-	685	685	-
SMEs with financial data	from 0.00 to <0.50	-	0.47%	0.47%	4,495	3,821	32	-	0.57%
	from 0.50 to <1.00	-	0.74%	0.74%	4,885	4,218	44	-	0.78%
	from 1.00 to <1.50	-	1.12%	1.12%	3,475	3,043	42	-	1.01%
	from 1.50 to <2.00	-	1.65%	1.65%	6,637	5,923	108	-	1.55%
	from 2.00 to <3.00	-	2.80%	2.80%	5,414	4,999	135	-	2.48%
	from 3.00 to <5.00	-	4.17%	4.17%	3,785	3,581	120	-	3.33%
	from 5.00 to <10.00	-	6.65%	6.65%	4,267	4,178	217	-	5.17%
	from 10.00 to <20.00	-	13.41%	13.41%	1,911	1,784	220	-	11.38%
	from 20.00 to <100.00	-	32.48%	32.48%	688	588	225	-	29.57%
	100 (default)	-	100.00%	-	1,014	843	-		-
	missing	-	-	-	-	-	202	202	-
SMEs without financial data	from 0.00 to <0.50	-	-	-	-	-	-	-	-
	from 0.50 to <1.00	-	0.92%	0.92%	7,809	8,892	59	-	0.75%
	from 1.00 to <1.50	-	1.02%	1.02%	10,756	12,207	111	-	0.94%
	from 1.50 to <2.00	-	1.75%	1.75%	15,796	18,706	241	-	1.49%
	from 2.00 to <3.00	-	2.74%	2.74%	17,317	20,424	325	-	1.98%
	from 3.00 to <5.00	-	4.31%	4.31%	14,022	15,236	400	-	3.06%
	from 5.00 to <10.00	-	5.72%	5.72%	3,962	4,003	195	-	4.56%
	from 10.00 to <20.00	-	15.62%	15.62%	2,909	2,934	451	-	13.81%
	from 20.00 to <100.00	-	37.97%	37.97%	2,140	2,004	830	-	35.42%
	100 (default)	-	100.00%	-	2,259	2,266	-	-	-
	missing	-	-	-	-	-	486	486	-

Exposure category	PD scale	Equivalent external rating	PD weighted average	PD arithmetical average per obligor	Number of obligors at the end of the previous year	Number of obligors at the end of the current year	Defaulted obligors during the year	Of which new obligors	Historical Defaut rate average
Corporates									
Fleets	from 0.00 to <0.30	-	0.25%	0.25%	616	708	-	-	0.06%
	from 0.30 to <0.80	-	0.34%	0.34%	401	405	-	-	0.14%
	from 0.80 to <2.00	-	0.89%	0.89%	690	632	14	-	0.68%
	from 2.00 to <4.00	-	3.10%	3.10%	471	531	5	-	1.17%
	from 4.00 to <14.00	-	4.64%	4.64%	324	288	10	-	2.53%
	from 14.00 to <100.00	-	14.20%	14.20%	201	297	11	-	5.90%
	100 (default)	-	100.00%	100.00%	72	86	-	-	-
	missing	-	-	-	-	-	3	3	-
Wholesale	from 0.00 to <0.30	-	0.30%	0.30%	260	262	1	-	0,08%
	from 0.30 to <0.80	-	0.53%	0.53%	121	255	-	-	0,19%
	from 0.80 to <2.00	-	1.11%	1.11%	205	167	1	-	0,20%
	from 2.00 to <4.00	-	3.06%	3.06%	60	66	-	-	3,70%
	from 4.00 to <14.00	-	13.03%	13.03%	7	7	-	-	8,25%
	from 14.00 to <100.00	-	23.35%	23.35%	117	56	-	-	3,91%
	100 (default)	-	100.00%	100.00%	23	20	-	-	-
	missing	-	-	-	-	-	23	23	-

1.4.5.6 CREDIT RISK MITIGATION TECHNIQUES

The PSA Banque France Group ensures that it can reduce its credit risk. To do so, in addition to the quality of the counterparty and of the application file, which are essential elements of decision-making, the Group also seeks guarantees to limit its losses in the event of counterparty default.

For this purpose, the Group has implemented standards for guarantee types, a procedure and rules for selection of guarantors it will accept.

The guarantee can take the form of:

- personal collateral provided by a natural person or legal entity, notably a joint and several guarantee, first demand guarantee, letter of intent or commitment for a third party, etc;
- a security right, notably lenders' liens, mortgages, pledging of business assets, pledging of securities, pledging of mortgages, etc;
- various commitments, notably commitments to continue leases, commitments to buy back at any time, etc.

The guarantee is intended to either lessen the risk or reverse an initial refusal.

The guarantees are never taken into account when calculating the customer's rating.

The guarantees must have a financial value, if possible quantified or at least quantifiable, and be legally valid.

The PSA Banque France Group took out two credit insurance policies in 2019 with two leading insurers for partial hedging of the risk related to vehicle and spare parts inventory financing operations for the main dealers financed by the PSA Banque France Group:

- the first policy was signed with an insurer rated AA by Standard & Poor's. It hedges the risks of new car stock , demonstration vehicles and used vehicles financing of the two largest dealers in the Peugeot, Citroën and DS networks in the gross amount of €124 million and €118 million net as of 31 December 2019, with an associated RWA gain of €69 million;
- the second policy, signed with another insurer, also rated AA by Standard & Poor's, hedges the risks of financing the spare parts inventories of 26 of the 28 dealers financed by the PSA Banque France Group, in the total gross amount of €221 million and €187 million net as of 31 December 2019 with an associated RWA gain of €113 million.

In order to mitigate the exposure to risk and save on the capital resources consumed, the PSA Banque France Group carried out a synthetic SRT (Significant Risk Transfer) transaction during the 2019 financial year. The transaction enabled the transfer of part of the risk on the portfolio to investors. The portfolio consists of loans securitised in instalment contracts granted to consumers in France for the purchase of new and used vehicles which have a relatively high RW level, primarily as a result of the high proportion of used vehicles. Thanks to this transaction, RWA were reduced by €722 million as of 31 December 2019 and equity decreased by €13 million.

TABLE CR3 –CRM TECHNIQUES – OVERVIEW

The table below disclose the extent of the use of CRM techniques.

(In million euros)	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	14,704	431		431	
Total debt securities					
TOTAL EXPOSURES	**14,704**	**431**		**431**	
Of which defaulted	*226*	-			

1.4.5.7 COUNTERPARTY RISK

Counterparty risk corresponds to the credit risk of market, investment transactions and/or settlements. It reflects the risk that the financial counterparty will not be able to honor their obligations to the entities of the PSA Banque France Group.

The PSA Banque France Group has implemented several mechanisms to mitigate counterparty risk:

- consistent signature of bilateral offsetting framework contracts (ISDA/FBF) for rate derivative hedges with the counterparties selected as leading financial institutions;
- daily exchange of collateral, either with the LCH Clearnet clearing house, via a clearing member for the transactions offset centrally or directly with the counterparty for contracts which are not offset centrally.

The counterparty risk calculated using the standard approach is not significant for the PSA Banque France Group at €4 million out of total RWA of €9,859 million.

TABLE CCR1 – ANALYSIS OF CCR EXPOSURE BY APPROACH

The table provides a comprehensive view of the methods used to calculate CCR regulatory requirements and the main parameters used within each method.

(in million euros)	Notional	Replacement cost/current market value	Potential future credit exposure	Effective expected positive exposure (EEPE)	Multiplier	AED post-CRM	RWA
Mark to market							
Original exposure							
Standardised approach		14				12	4
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							**4**

TABLE CCR3 – STANDARDISED APPROACH – CCR EXPOSURES BY REGULATORY PORTFOLIO AND RISK WEIGHTS

The table below provides a breakdown of CCR exposures calculated in accordance with Part Three, Title II, Chapter 6 of the CRR and risk-weighted according to Chapter 3 of the same title: by portfolio (type of counterparties) and by risk weight (riskiness attributed according to the standardised approach).

	Risk weight												
(in million euros)	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Autres**	**Total**	**Of which unrated**
Central governments or central banks													
Regional government or local authorities													
Public sector entities													
Multilateral development banks													
International organisations													
Institutions					7	5						12	-
Corporates													
Retail													
Institutions and corporates with a short-term credit assessment													
Other items													
TOTAL					**7**	**5**						**12**	**-**

TABLE CCR5-A – IMPACT OF NETTING AND COLLATERAL HELD ON EXPOSURE VALUES

The table below provides an overview of the impact of netting and collateral held on exposures for which the exposure value is measured as per Part Three, Title II, Chapter 6 of the CRR, including exposures arising from transactions cleared through a CCP.

(in millions euros)	**Gross positive fair value or net carrying amount**	**Netting benefits**	**Netted current credit exposure**	**Collateral held**	**Net credit exposure**
Derivatives	14		14	(2)	12
SFTs					
Cross-product netting					
TOTAL	**14**	**-**	**14**	**(2)**	**12**

TABLE CCR5-B – COMPOSITION OF COLLATERAL FOR EXPOSURES TO CCR

The table below provides a breakdown of all types of collateral (cash, sovereign debt, corporate bonds, etc.) posted or received by banks to support or reduce CCR exposures related to derivative transactions or to SFTs, including transactions cleared through a CCP.

	Collateral used in derivative transactions				**Collateral used in SFTs**	
	Fair value of collateral received		**Fair value of posted collateral**		**Fair value of collateral received**	**Fair value of posted collateral**
(in millions euros)	**Segregated**	**Unsegregated**	**Segregated**	**Unsegregated**		
Collateral	2		5			
TOTAL	**2**	**-**	**5**	**-**	**-**	**-**

1.4.6 Liquidity and funding risk

RISK FACTORS

The PSA Banque France Group refinances with funding raised on the capital markets (negotiable debt securities and bond issuances under EMTN programmes) and provided by securitisation transactions, retail savings inflows from French customers, access to the refinancing operations of the European Central Bank (ECB) and bilateral bank credit lines, in addition to the intra-group funding provided directly by Santander Consumer Finance. Liquidity risk is therefore one of the main financial risks to which the Group is exposed.

This risk arises from the possibility that, over a given period, the bank might not be able to fulfill its commitments in due time due to external factors (global financial market situation, inter-bank liquidity crises, etc.) or internal parameters (related, for example, to the Group's rating by the rating agencies).

As a result, the main objectives of liquidity risk management are:

- to reduce, as far as possible, the negative effects of any market developments which affect the Group's funding capacity;
- to manage seasonal variations in funding sources and customer loan requests;
- to be able to quickly respond to variations in economic cycles which affect the availability and the demand for funds;
- to overcome the consequences of a given crisis situation.

These are accompanied by the following implementation principles:

- establish stable liquidity needs on the balance sheet in the medium- and long-term;
- diversify the sources of financing in terms of instruments and markets;
- respect the specific obligations established by the regulatory authorities.

The analysis and monitoring of the liquidity risk is based on the following assumptions:

- the end of period balance sheet with contractual or conventional outflow and;
- the inclusion of behavioural data, such as prepayment scenarios.

1.

LIQUIDITY RISK GOVERNANCE

The **Board of Directors** sets the refinancing policy and the risk profile and monitors compliance with the level of risk tolerance.

The **Risk Department** assesses the level of risk management and monitors compliance with limits and their consumption. The results of the controls are reported monthly to the Risk Management and Control Committee and to the ALCO Committee.

The **ALM Department** provides a first-level control to ensure overall compliance with the internal and regulatory liquidity limits in balance sheet management processes, including forecasts, notably for the budget.

The **Treasury, Refinancing and Means of payment Department** ensures compliance with the limits and thresholds defined and the compliance of transactions with the liquidity risk policy.

LIQUIDITY RISK MEASUREMENT, MANAGEMENT AND MONITORING

In reference to the standard methodology of both shareholder groups, the main liquidity risk evaluation indicators are calculated on a monthly basis. These indicators break down into two categories:

Internal management indicators

- **liquidity gap:** the liquidity gap is defined as the difference between asset flows and liability flows for a given period. Liquidity gaps enable the determination, by maturity, of the gaps between asset items and Group liability commitments in order to:
  - measure the gaps between resources and uses,
  - ensure that the funding needs which fill the gaps are hedged at all times;
- **liquidity reserve:** it includes the cash deposited with the Banque de France and the assets available (not used as a guarantee or collateral) to be used to manage cash outflows in stress situations. The reserve consists of:
  - high-quality liquid assets (HQLA) as defined by the Basel committee for the calculation of the LCR. The HQLA of the PSA Banque France Group consists solely of cash deposited with the Banque de France, with the exception of its mandatory reserves,
  - eligible non-HQLA assets at the Banque de France, deposited as collateral and providing rights to additional drawdowns (in the form of the self-retained senior notes of securitisation funds and of credit claims remitted through the TRICP channel);

(in million euros)	31 December 2019	31 December 2018
Central bank deposits (excluding mandatory reserves)	420	300
HQLA securities available (after haircut)	0	0
Other available central bank-eligible assets (after haircut)	835	726
TOTAL LIQUIDITY RESERVE	**1,255**	**1,026**

- **liquidity stress tests** provide estimates of the time (liquidity horizon), using the liquidity gap, during which the PSA Banque France Group can ensure the continuity of its business using its liquidity reserve to absorb different fund outflows (deposit flight, loss of access to certain funding options), based on several crisis scenarios;
- **Early Warning Indicators (EWIs):** this system of early liquidity warning indicators, made up of quantitative and qualitative indicators, provides early identification of liquidity stress situations and of potential weaknesses in liquidity or refinancing requirements. Progressive warning levels are defined to enable specific action plans to be put in place where relevant;
- **Key Intraday Warning Indicators (KIWIs):** these indicators are used to manage and monitor intraday liquidity risk.

Regulatory indicators

- **Basel liquidity ratios** such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) according to the requirements of the European Capital Requirements Regulation (CRR). The LCR ratio is mandatory and supervised by regulators, while the NSFR will not enter into force until 2021. The LCR is calculated monthly while the NSFR is calculated quarterly. The average LCR for 2019 was 122%;
- in addition to the previous indicators, to increase the actual monitoring of liquidity and be in compliance with the European Commission's regulatory requirement, the PSA Banque France Group has implemented additional liquidity monitoring through monthly reporting (Additional Liquidity Monitoring Metrics) since 2016.

TABLE EU LIQ1 – LCR DISCLOSURE TEMPLATE AND THE TABLE ON QUALITATIVE INFORMATION ON THE LCR

Scope of consolidation (consolidated) *(in million euros)*	**Total unweighted value (average)**				**Total weighted value (average)**			
Quarter ending on	**03/2019**	**06/2019**	**09/2019**	**12/2019**	**03/2019**	**06/2019**	**09/2019**	**12/2019**
Number of data points used in the calculation of averages	**12**	**12**	**12**	**12**	**12**	**12**	**12**	**12**
HIGH-QUALITY LIQUID ASSETS								
Total high-quality liquid assets (HQLA)					**271**	**294**	**301**	**314**
CASH – OUTFLOWS								
Retail deposits and deposits from small business customers, of which:	**1,919**	**2,043**	**2,124**	**2,285**	**229**	**242**	**250**	**272**
Stable deposits								
Less stable deposits	*1,919*	*2,043*	*2,124*	*2,285*	*229*	*242*	*250*	*272*
Unsecured wholesale funding								
Operational deposits (all counterparties) and deposits in networks of cooperative banks	*241*	*223*	*235*	*249*	*60*	*55*	*56*	*57*
Non-operational deposits (all counterparties)	*244*	*305*	*296*	*259*	*244*	*305*	*296*	*259*
Unsecured debt	*65*	*58*	*66*	*108*	*65*	*58*	*66*	*108*
Secured wholesale funding								
Additional requirements								
Outflows related to derivative exposures and other collateral requirements	*14*	*23*	*33*	*36*	*14*	*23*	*33*	*36*
Outflows related to loss of funding on debt products								
Credit and liquidity facilities	*525*	*530*	*533*	*553*	*66*	*65*	*60*	*55*
Other contractual funding obligations	**238**	**261**	**269**	**283**	**200**	**224**	**231**	**248**
Other contingent funding obligations								
TOTAL CASH OUTFLOWS					**879**	**971**	**991**	**1,035**
CASH – INFLOWS								
Secured lending (e.g. reverse repos)								
Inflows from fully performing exposures	**2,018**	**2,065**	**2,137**	**2,205**	**706**	**722**	**750**	**763**
Other cash inflows	**312**	**339**	**358**	**364**	**216**	**239**	**256**	**262**
(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	**2,330**	**2,404**	**2,496**	**2,569**	**923**	**961**	**1,006**	**1,025**
Fully exempt inflows								
Inflows subject to 90% cap								
Inflows subject to 75% cap	*2,330*	*2,404*	*2,496*	*2,569*	*923*	*961*	*1,006*	*1,025*
TOTAL ADJUSTED VALUE								
LIQUIDITY BUFFER					**271**	**294**	**301**	**314**
TOTAL NET CASH OUTFLOWS					**220**	**243**	**248**	**259**
LIQUIDITY COVERAGE RATIO (%)					**124%**	**121%**	**122%**	**122%**

Ability to access several external funding and liquidity sources

In addition to the financial support provided by Santander Consumer Finance in the form of intragroup funding, the PSA Banque France Group has also diversified funding and liquidity sources to support the growth of its business activities:

- a €4 billion EMTN programme for the issuance of Notes in order to refinance part of its medium- and long-term needs;
- a NEU CP issue programme, increased to €2 billion in 2019 to refinance part of its short-term needs;
- a NEU MTN issue programme of €1 billion to complete the refinancing of its medium-term needs;
- 4 securitisation warehousing programmes for all of receivables portfolios (traditional loans, leasing with a purchase option, leases and financing of the dealer network vehicle inventory);
- deposits with the collection of retail savings from French customers;
- access to refinancing from the European Central Bank with participation in several TLTRO operations;
- several bank loans including subordinated loans.

1.4.7 Encumbered assets

Balance sheet assets and assets received as guarantees which have been used as pledges, guarantees or enhancements for a Group transaction from which they cannot be freely withdrawn are considered to be encumbered.

The main transactions with encumbered assets are as follows:

- the assets transferred to securitisation vehicles when the assets have not been derecognised;
- the underlying assets of self-retained securitisations are not considered to be encumbered unless the securities have not been used to pledge or guarantee another transaction in some way (funding from the Central Bank).

Information on encumbered and unencumbered assets is calculated in accordance with the EBA/GL/2014/03 directives.

TEMPLATE A – 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 million euros)		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	**4,797**				**10,565**			
Equity instruments					-			
Debt securities								
of which: covered bonds								
of which: asset-backed securities								
of which: issued by general governments								
of which: issued by financial corporations								
of which: issued by non-financial corporations								
Other assets	4,797				10,565	420		
of which : loans on demand	*154*				*1,279*			
of which : loans and advances other than loans on demand	*4,643*				*8,881*			

TEMPLATE B – COLLATERAL RECEIVED

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	
(in million euros)		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution				
Loans on demand				
Equity instruments				
Debt securities				
of which: covered bonds				
of which: asset-backed securities				
of which: issued by general governments				
of which: issued by financial corporations				
of which: issued by non-financial corporations				
Loans and advances other than loans on demand				
Other collateral received				
Own debt securities issued other than own covered bonds or asset-backed securities				
Own covered bonds and asset-backed securities issued and not yet pledged				
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	**4,797**			

TEMPLATE C – SOURCES OF ENCUMBRANCE

(in million 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	**3,525**	**4,797**
of which : collateralised deposits other than repurchased agreements	*1,300*	*1,876*
of which : asset-backed securities issued	*2,225*	*2,921*

TEMPLATE D - ACCOMPANYING NARRATIVE INFORMATION

The use of credit claims, as collateral for refinancing operations, allows the PSA Banque France Group to diversify its funding sources, specifically through the issuance of securitisation securities.

It can also take part in the ECB monetary policy operations.

1.4.8 Currency and interest rate risks

1.4.8.1 CURRENCY RISK

The PSA Banque France Group has no activity in foreign currencies that could expose the bank to currency risk.

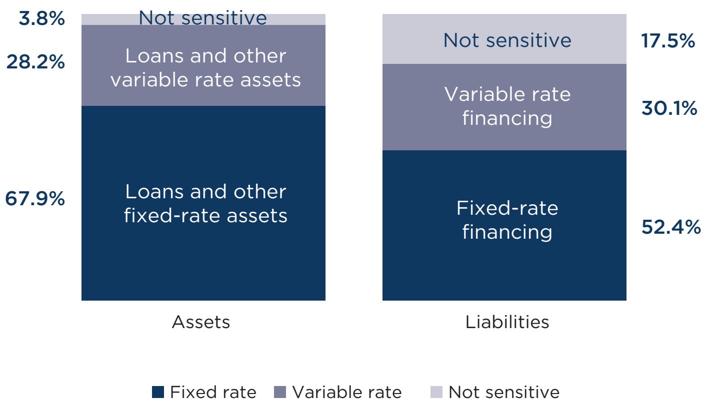
Nevertheless, in case of foreign exchange positions, the hedging of transactions in currencies would be validated by the competent committee

1.4.8.2 INTEREST RATE RISK

Risk factors

The interest rate risk is the potential for loss due to the impact of interest rate movements on the structure of the entity's equity (through revenues, expenses, assets, liabilities and other balance-sheet transactions).

The financing granted to customers is primarily in the form of fixed-rate loans or lease offers with a maximum duration of 72 months, whereas the financing of the dealer networks does not exceed 12 months and prices are, therefore, renewed/adjusted during the year. The PSA Banque France Group refinances itself with fixed-rate financial instruments (bonds, intragroup loans, term and sight deposits, ECB funding for TLTRO-II) and with variable/revisable rate funding sources (securitisations, NEU CP, NEU MTN, bank lines, TLTRO-III).



The PSA Banque France Group's objective is to limit the negative effects of market rates evolution on its profits and economic value, and to increase its security and solidity. To adjust the borrowing rate structure to the customer loan structure, guided flexibility is allowed in hedging the interest rate risk.The policy in terms of interest rate risk tends to be conservative and avoids any speculation. Its purpose is to control and supervise interest rate risk positions within sensitivity limits in accordance with the defined risk appetite.

The management of interest rate risk consists of compliance with this policy and subjecting it to regular controls and hedging measures.

The interest rate swap portfolio is the key element used to hedge exposure to the balance sheet rate risk.

Interest rate measurement, management and monitoring

Interest rate risk can primarily affect the net interest margin and the market value of the PSA Banque France Group's regulatory capital. Management of the interest rate risk is governed by sensitivity limits in accordance with risk appetite.The main risk evaluation indicators are calculated on a monthly basis:

- **the interest rate gap:** this is a repricing gap in which the assets and liabilities are placed on the review date (variable rate) and on their maturity date (fixed rate). The gap corresponds to the difference between interest-earning assets and interest-bearing liabilities over the given periods, including off-balance sheet amounts;
- **the sensitivity of the Net Interest Margin (NIM)** measures the additional losses or profits on the bank's interest margin, caused by a change in interest rates within the next 12, 24 or 36 months. Evaluation of the sensitivity of the Net Interest Margin is a short-term approach and is based on the analysis from interest rate gap tools;
- **the sensitivity of the market value of equity (MVE):** measures the additional losses or profits on the bank's interest margin, caused by a change in interest rates within the next 12, 24 or 36 months. Evaluation of the sensitivity of the Net Interest Margin is a short-term approach and is based on the analysis from interest rate gap tools.

The interest rate risk measurement tool was updated to be in compliance with Directive EBA/GL/2018/02 on the structural interest rate risk in bank balance sheets.

The interest rate risk monitoring indicators are based on the following assumptions:

- static balance sheet: the amounts that reach maturity are renewed by the new production of an identical quantity, such that the balances remain constant;
- the analysis is based on contractual and conventional maturity and repricing dates;
- The calculations take into account a zero coupon rate curve and various parallel and non-parallel interest rate change scenarios, such as:
  - parallel scenarios at +/-100 bp; +/-75 bp; +/-50 bp and +/-25 bp,
  - non-parallel scenarios with steepening, flattening or inversion of the rate curve.

Interest rate risk limits are set by reference to the interest rate risk indicators such as NIM change sensitivity over 12 months or MVE sensitivity in accordance with risk appetite as defined by the PSA Banque France Group. The limits are formally approved by the Board of Directors of the PSA Banque France Group.

At the same time, as part of risk control, hedging efficiency tests are carried out when setting up new instruments with exposure to interest rate risk.

Lastly, the control of interest rate risk is ensured by the monthly monitoring of these indicators, control of compliance with established limits and any measures to be taken to even better measure, control or monitor this risk category.

This monitoring is subject to monthly management reports to the Asset/Liability Committee (ALCO) and to the Risk Management and Control Committee.

In 2019, all interest rate risk indicators remained compliant with the limits set by the Board of Directors of PSA Banque France.

The table below shows the interest rate gap as of 31 December 2019 along with the various indicators' sensitivity to the worst-case risk scenario (parallel scenario).

INTEREST RATE GAP AT 31 DECEMBER 2019

	Total	≤ 1 month	≤ 3 months	≤ 1 year	≤ 2 years	≤ 5 years	> 5 years	Non Sensitive
Assets	15,362	3,582	2,605	2,802	2,971	2,784	30	588
Equity and liabilities	15,362	4,704	1,073	2,395	1,467	2,816	358	2,548
Off-balance sheet	-	(148)	999	(336)	(586)	69	2	-
Repricing gap	-	(1,271)	2,532	71	918	37	(327)	(1,961)

- At the end of December 2019, NIM sensitivity compared to the worst increase or decrease scenario for parallel rates of +/-100 bp; +/-75 bp; +/-50 bp and +/-25 bp, was -€11 million.
- At the end of December 2019, MVE sensitivity compared to the worst increase or decrease scenario for parallel rates of +/-100 bp; +/-75 bp; +/-50 bp and +/-25 bp, was -€35 million.

1.4.9 Market risk

RISK FACTORS

The policy of the PSA Banque France Group is to refrain from creating exposure to market risk within the meaning of banking regulations. The PSA Banque France Group is not authorised to carry out any speculative market activities, either on behalf of its customers or for its own account. There is, therefore, no market risk with respect to a trading book.

RISK MEASUREMENT, CONTROL AND MONITORING

The Group consistently ensures compliance with this rule and that the hedging instrument and hedged item are correctly matched.

The governance bodies must be immediately notified of any market risk exposure through the main competent committees.

The PSA Banque France Group does not have any speculative activities and does not have a trading book. As a result, monitoring focuses on the limits for structural interest rate risks implemented for the bank portfolio. The derivative rate instrument transactions undertaken are intended to hedge balance sheet items and are not intended for sale in the short term.

1.4.10 Securitisation

The PSA Banque France Group uses securitisation as a source of diversification of its refinancing and, more recently, as a tool to optimise its regulatory capital needs. The PSA Banque France Group does not invest in securitisation transactions whose underlying receivables are originated by third parties:

- for its funding, the PSA Banque France Group, via its CREDIPAR subsidiary, carries out the securitisation of some of its loan or lease portfolios granted to individuals and corporate customers. The securities created by these transactions can either be placed with external investors, which enables the PSA Banque France Group to refinance itself, or be directly subscribed by the PSA Banque France Group to be used as collateral eligible with the European Central Bank. The securitisation funds holding the receivables transferred are kept within the scope of consolidation of the PSA Banque France Group because the latter remains exposed to the majority of risks and benefits on the receivables, notably via the holding of at least 5% of the securities issued by the funds (to meet its obligation to hold a financial interest as required by the CRR in Article 405 of Regulation (EU) No. 575/2013) and via other credit enhancement mechanisms, including liquidity reserves. In the absence of a significant transfer of risk for prudential regulation purposes, the transactions have no impact on the regulatory capital of the PSA Banque France Group;
- as part of the optimisation of its regulatory capital needs, the PSA Banque France Group also implemented a first synthetic transaction at the end of 2019 involving a significant transfer of credit risk (SRT) from a portfolio of loans granted to individual customers. The risk transfer was carried out via the purchase of protection in the form a financial guarantee. CREDIPAR retains a significant financial interest of at least 5% in the securitisation transaction via the holding of 5% of the nominal value of the loans selected, in line with its financial retention obligation required by the CRR. The guarantee was financed by a subscription of the mezzanine risk position on the portfolio by investors. The PSA Banque France Group kept the senior and junior risk positions which undergo a calculation for regulatory capital requirements: the senior position contributes to the risk-weighted assets in the amount of €203 million as of 31 December 2019 and the junior position is deducted from the prudential regulatory capital.

The performance and creditworthiness of the funds' main counterparties are monitored in a monthly report that is available to the funds' investors. The monitoring makes it possible to detect any deviations in the performance of the securitised loans or the need to replace a counterparty whose rating has become incompatible with the (public or implicit) rating of the funds' securities. Any unexpected or exceptional deterioration of the creditworthiness of the securitised assets or a significant decline in new financing production limiting the capacity to replenish the securitisation in revolving period with enough new receivables can result in the activation of the following after passing a given threshold:

- early amortisation mechanisms for refinancing transactions, which, in addition to the loss of funding for the transaction(s) in question could lead to a reputational risk and greater difficulty placing new ABS Auto transactions on the market;
- sequential amortisation mechanisms for the senior and mezzanine positions of the synthetic transaction which could result in greater difficulty placing new significant risk transfer transactions.

1.4.11 Operational risks

In accordance with Regulation (EU) No. 575/2013 of 26 June 2013 and the Order of 3 November 2014, the definition of operational risk covers the "risk of losses resulting from an insufficiency or failure of processes, from personnel and internal systems or from external events". Operational risk notably includes risks related to events with a low probability of occurrence but a high impact, risks related to information systems, the risk of internal and external fraud, legal and non-compliance risks and reputational risks.

RISK IDENTIFICATION, MEASUREMENT AND MANAGEMENT

The risk mapping covering all of the PSA Banque France Group's activities identifies and prioritises three levels of operational risk and non-compliance, classified by activity, process and sub-process. They consist of operational risks related to credit risk, such as external fraud and, to a lesser extent, of risks related to activities outsourced to service providers or partners.

Risk management is implemented via mechanisms integrated in working procedures or instructions and is subject to second-level controls by the bank's permanent control function. They may also take the form of decision and discretionary limits rules, as well as specific processes incorporated in IT systems. Business continuity plans have been defined and deployed for premises and information systems. These are tested at least once a year.

The PSA Banque France Group's operational risks management system follows the standard operational risk approach.

INFORMATION SYSTEM RISK

Information systems are essential to the operational processes of the PSA Banque France Group, from credit underwriting to the management of all loans and receivables.

The smooth operation of financial control, accounting and data collection and processing systems is essential to the PSA Banque France Group's business and its ability to compete. In addition, the PSA Banque France Group has signed framework agreements with Banque PSA Finance for the supply of information systems and services and benefits from the cyber security risk alert and prevention system of the PSA Group, which enables it to manage the risks.

The risk resulting from the difficulty to ensure that all information systems remain fully functional following a disruptive event, regardless if it results in material damage or not (cyber-attack, natural disasters such as flooding, etc.) can have a negative impact on the PSA Banque France Group's ability to continue its activities, despite the activation of the Business Recovery Plan.

Losses can result from a personnel mismatch, from an internal control process or system mismatch or failure, or from external events which interrupt day-to-day activities. The PSA Banque France Group is exposed to the risk of an insufficiency in the design of its controls and procedures or that they will be bypassed such that its data and/or customer files are incomplete, non-recoverable or not stored in a secure way. This may occur despite the fact that the PSA Banque France Group works with its customers, service providers, counterparties and other third parties to develop secure data processing, storage and transmission capabilities in order to avoid information security risks.

FRAUD RISK

The PSA Banque France Group is exposed to the risk of fraud, primarily external fraud resulting in losses due to unpaid loans or rents.

As a credit institution granting loans and leases to its customers, the PSA Banque France Group is exposed to the risk of fraud. This risk can result from a mismatch or failure of internal processes or personnel and information systems. However, it is primarily the result of customer financing requests.

The PSA Banque France Group's credit granting process depends to a large extent on the documents provided by potential customers, including proof of income and the related bank contact information required to set up automatic payment, by-laws (for companies) and identity documents. A risk can arise at the time a financing contract is signed if the customer provides false documents or has stolen another person's identity. This risk has increased recently due to a rise in organised crime and the development of techniques to create false documents (for individuals and businesses).

As part of the operational incident collection procedure, any fraud resulting in a prejudice in excess of €100,000 is consistently reported to the legal department of PSA Group to enable it to determine any potential means of recourse.

The PSA Banque France Group has insurance policies which cover fraud, malicious intent, material damage and operational losses, underwritten by the PSA Group Insurance Department.

NON-COMPLIANCE RISK

Non-compliance risk is defined as the risk of legal, administrative or disciplinary sanction, significant financial loss, or damage to reputation arising from failure to comply with the provisions governing banking and financial services, including regulatory and statutory provisions, professional standards, ethical standards, or instructions from the executive body pursuant to guidelines issued by the Board.

Risk factors are related to incorrect interpretation of texts or failure to adequately reflect these texts in operating methods, procedures or internal instructions.

As part of its day-to-day activities, the PSA Banque France Group can be involved in different types of litigation, notably civil, administrative, tax, criminal and arbitration cases resulting from non-compliance with the above provisions.

In these cases, the PSA Banque France Group is exposed to a number of outcomes which may adversely affect its business:

- a legal impact if regulatory or judicial actions resulting in fines or penalties are taken against the PSA Banque France Group or its employees;
- a financial impact in the event of a prejudice affecting the net income of the PSA Banque France Group or its future potential earnings or in the case of investor loss of confidence;
- a reputational impact with the potential to harm the image or brands of the PSA Banque France Group: for example, bad press or discussions on social networks, a loss of customer confidence or a decline in employee commitment.

In particular, due to the fact that it belongs directly to Banque PSA Finance and Santander Consumer Banque (and, as a result, the PSA and Santander groups), the PSA Banque France Group may also be impacted by the non-compliance risk to which these two groups are exposed. This could have an impact on sales revenue in the case of negative events which significantly disrupt the operations of the PSA Banque France Group, such as embargoes and site closures.

Risk is measured upstream via a regulatory watch system which tracks changes and the reasons for sanctions issued by the supervisory authorities and analyses the information collected to assess the impact on customer relationships, the processes and the organisation, the information systems, the scope of activity and, generally, the business model.

The risk of non-compliance is controlled by adapting procedures, instructions or operating methods, detecting people who are exposed politically or whose assets have been frozen, setting materiality criteria and thresholds to identify money-laundering and the financing of terrorism, as well as a report-compilation system. Risks of non-compliance are monitored through the implementation of a programme of first-level controls by the Compliance Department and of second-line controls by the Permanent Control Department. The results of these checks are presented to the Compliance and Control Committee meetings, which are organised on a monthly basis.

REPUTATIONAL AND IMAGE RISK

Reputational risk is the risk of damage to the trust that customers, counterparties, suppliers, employees, shareholders, the supervisor and all other third parties have in a company. This trust is a necessary condition for the normal operation of the business. For the PSA Banque France Group, reputational and image risk consists primarily of:

- a specific "risk of damage to the Bank's reputation and image with end users; Peugeot, Citroën, and DS dealer customers; third-party banks; and supervisory authorities (excluding internal image risk)";
- possible repercussions of an operational incident.

The Image and reputational risk is, to a large extent, related the already identified, covered by the internal control systems: this is notably the case for internal and external fraud and non-compliance risk.

Since it is a member of Banque PSA Finance and Santander Consumer Banque (and consequently of the PSA and Santander groups), the reputation and image of the PSA Banque France Group can also be impacted by the reputation and identity of its two shareholders.

A number of systems are implemented to prevent the risk of reputational damage, including:

- compliance with banking secrecy and the obligation for professional confidentiality for which the employees of the PSA Banque France Group take special training classes;
- approval of standard letters to customers and advertising messages by the legal department;
- monitoring of the quality of customer relations;
- approval of new products by the Risk, Legal, Tax and Compliance departments;
- the report compilation system;
- a specific system for approving loans to certain sensitive business sectors (the media, arms, sports clubs, etc.) which are delegated to the PSA Banque France Board of Directors.

CROSS-REFERENCE TABLE

	CRD IV	Correspondence
Article 90	Public disclosure of return on assets	1.4 Introduction
	CRR	**Correspondence**
Article 431	Scope of disclosure requirements	1.4 Introduction
Article 432	Non-material, sensitive and confidential information	1.4 Introduction
Article 433	Frequency of disclosure	1.4 Introduction
Article 435	Risk management objectives and policies	
1a		1.4.2.2
1b		1.4.2.2
1c		1.4.2.3 & 1.4.2.4
1d		1.4.5.6 & 1.4.8.1
1e		1.4.2.5
2a, c, d		1.5 & 1.5.6 & 1.4.2.2.2
2e		1.4.2.2.2
Article 436	Scope of application	1.4.3.1
Article 437	Own Funds	1.4.3.1
Article 438	Capital requirement	
a		1.4.3.2.3
b		Not applicable: no supervisory requirement
c-d		1.4.3.2.1
e		Not applicable: no capital required for market risk
f		1.4.3.2.2
Article 439	Exposure to counterparty credit risk	1.4.5.7
Article 440	Capital buffers	1.4.3.2
Article 441	Indicators of global systemic importance	Not applicable to the PSA Banque France Group which is not subject to the buffer required for systemically important institutions
Article 442	Credit risk adjustments	1.4.5.1
Article 443	Unencumbered assets	1.4.7
Article 444	Use of ECAIs	1.4.5.4
Article 445	Exposure to market ris	1.4.9
Article 446	Operational risk	1.4.3.2.2 & 1.4.11
Article 447	Exposures in equities not included in the trading book	None
Article 448	Exposure to interest rate risk on positions not included in the trading book	1.4.8.1
Article 449	Exposure to securitization positions	1.4.10
Article 450	Remuneration policy	1.4.2.3
Article 451	Leverage	1.4.4
Article 452	Use of the IRB Approach to credit risk	1.4.5.5
Article 453	Use of credit risk mitigation techniques	1.4.5.6
Article 454	Use of the Advanced Measurement Approaches to operational risk	Not applicable: no use of Advanced measurement approaches
Article 455	Use of Internal Market Risk Models	Not applicable
Article 492	Disclosure of own funds	1.4.3.2.1

1.

TABLES

Part	Ref.	Title
1.4.6		Liquidity reserve
1.4.6	LIQ1	LIQ1 – LCR disclosure template and the template on qualitative information on the LCR
1.4.7	Templates A B C D – Encumbered Assets	Templates encumbered and unencumbered assets
1.4.8.2		Composition of the balance-sheet according to interest rate type
1.4.8.2		Interest rate gap at 31 December 2019

1.5 CORPORATE GOVERNANCE – GENERAL INFORMATION CONCERNING PSA BANQUE FRANCE

1.5.1 PSA Banque France overview

Company name: PSA Banque France

Nationality: French

Registered office: 9, rue Henri-Barbusse,
92230 Gennevilliers, France
Tel: +33 (0) 1 46 39 65 55

Legal form: Limited liability corporation *(société anonyme)* with a Board of Directors whose shares are not tradable on a regulated market.

Registry and identification number: PSA Banque France is registered in the Trade and Companies Register of Nanterre:

> **Siren No.: 652 034 638**

> **Siret No.: 652 034 638 00039**

> **APE/NAF business identifier code: 6419Z**

> **LEI: 969500JK1O192KI3E882**

Date of incorporation and duration: PSA Banque France (originally SOFIB) was incorporated on 24 June 1965 and has been registered since 20 July 1965. The expiry date of the Company is 31 December 2064.

The corporate purpose of the Company is the one of a fully-fledged bank.

Financial year: the corporate financial year begins on 1 January and closes at 31 December of each year.

PSA Banque France is a credit institution approved under the supervision of the European bank regulator, the European Central Bank since 2015, while continuing to send the required information to the French regulator, the *Autorité de Contrôle Prudentiel et de Résolution*.

As an Investment Service Provider *(Prestataire de Services d'Investissements)*, PSA Banque France is subject to the General Regulation of the French Financial Market Authority *(Autorité des Marchés Financiers (AMF))*. The Deputy Chief Executive Officer of PSA Banque France, who is accredited by the AMF and holds the required license, serves as Investment Service Compliance Officer (RCSI) pursuant to Articles 313 *et seq.* of the AMF's General Regulation.

1.5.2 Shareholders – Structure of share capital

Shareholders

At 31 December 2019, the share capital of PSA Banque France stood at €144,842,528 divided into 9,052,658 shares with a value of €16 each, fully paid-up, with equal distribution between:

- Banque PSA Finance, which holds 4,526,329 shares and the same number of voting rights; and
- Santander Consumer Banque, which holds 4,526,329 shares and the same number of voting rights.

Banque PSA Finance is a directly and indirectly wholly owned subsidiary of Peugeot SA, and Santander Consumer Banque is an indirectly wholly owned subsidiary of Banco Santander; Peugeot SA and Banco Santander are entities whose shares are traded on a regulated market.

Changes in the distribution of capital during the last three years

No change has occurred since the 50% entry of Santander Consumer Banque in the capital of PSA Banque France on 2 February 2015.

The shareholders' agreement entered into on 2 February 2015, when the joint venture of PSA Banque France was created, sets out restrictions on the exercise of the transfer of shares by both shareholders. Such exercise is not free but is subject to a "lock-up period" for the duration of the cooperation period.

Listing of securities

PSA Banque France's equity securities are not listed on the stock exchange. Nonetheless, certain debt securities (EMTN) are listed on Euronext Paris.

1.5.3 Board of Directors and Management Bodies

The Board of Directors of PSA Banque France has six members appointed for a renewable term of six years. Three members are chosen by each of the two shareholders. Every three years the office of Chair of the Board of Directors held by a non-executive director rotates between the two shareholders in PSA Banque France, i.e. Banque PSA Finance and Santander Consumer Banque. A rotation occurred for the first time on 28 August 2017, and the office of Non-Executive Chairman has since been held by a director appointed by Banque PSA Finance, in this case Mr. Rémy Bayle. The Chairman with his Board of Directors and specialised committees monitor the activity of PSA Banque France, run by the Chief Executive Officer, the Deputy Chief Executive Officer, the Executive Committee, and the operational committees.

Seven meetings of the Board of Directors were held in 2019.

At the end of the June 2019 Board Meeting, a director, Ms. Ines Serrano, resigned from office. The Board, on a proposal of the Appointment Committee, co-opted Mr. David Turiel to replace Ms. Ines Serrano for her remaining term of office, i.e. until the Ordinary General Meeting to be called in 2021 to approve the 2020 financial statements. Mr. David Turiel said that there was no obstacle to his appointment and that he agreed to accept this mandate within PSA Banque France. The mandate of Mr. David Turiel, like that of the other directors of PSA Banque France, does not give rise to payment of directors' fees.

Currently, there is no conflict of interest between the obligations of the members of the management bodies and their private interests with regard to the PSA Banque France Group. No agreements have been entered into, either directly or *via* a third party, between any of the Company officers or any of the directors or shareholders, with the exception of agreements about usual transactions and entered into under normal conditions.

There is no delegation currently valid or used during the 2019 period, granted by the General Meeting to the Board of Directors, for any capital increase, capital issuance, or redemption of shares.

PSA Banque France does not use a corporate governance code. However, PSA Banque France voluntarily applies some of the recommendations of the AFEP-MEDEF Code on the corporate governance of listed companies.

Pursuant to Article L. 225-37-4.1 of the French Commercial Code, the following is a list of all mandates or positions held during the past financial year by each of the members of the Board of Directors of PSA Banque France.

1.

1.5.4 Information about the Administrative and Management Bodies

1.5.4.1 BOARD OF DIRECTORS

List of positions held during the 2019 financial year by the directors of PSA Banque France and the Permanent Representatives of directors, and positions that expired during the year.

RÉMY BAYLE

Born on
26 December 1961

Chairman of the Board of Directors	Director	Committees
First appointed to the Board on 28 August 2017 **Current term expires in** 2020	**First appointed to the Board on** 23 April 2015 **Current term expires in** 2021	> Audit and Risk > Appointment > Wages and salaries

Other positions held in 2019

Chief Executive Officer and director

> Banque PSA Finance (France)

Vice-Chairman of the Board of Directors and director

> Opel Bank SA (France)

Chairman of the Board of Directors and director

> Compagnie pour la Location de Véhicules – CLV (France)

JEAN-PAUL DUPARC

Committees
> Executive

Born on
16 May 1968

Chief Executive Officer
First appointed on 1 September 2017
Current term expires in 2020

Director
First appointed to the Board on 28 August 2017
Current term expires in 2024

Other positions held in 2019

Chief Executive Officer and director
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

Permanent Representative of the Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)
> Board of Directors of the Compagnie pour la Location de Véhicules – CLV (France)

LAURENT AUBINEAU

Committees
> Executive

Born on
29 December 1962

Deputy Chief Executive Officer
First appointed on 1 September 2017
Current term expires in 2020

Director
First appointed to the Board on 28 August 2017
Current term expires in 2021

Other positions held in 2019

Deputy Chief Executive Officer and director
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

DAVID TURIEL LOPEZ

Committees
> Audit and Risk
> Appointment
> Wages and salaries

Born on
20 January 1965

Director
First appointed to the Board on 27 June 2019
Current term expires in 2021

Other positions held in 2019

Deputy Managing Director, Member of the Executive Committee and Member of the Board of Directors
> Santander Consumer Finance SA (Spain)

Member and Chairman of the Supervisory Board
> Santander Consumer Banque SA (France)

Director
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France), appointment on 27 June 2019, following the resignation of Ms. Ines Serrano

Member of the Supervisory Board
> Santander Consumer Bank SPOLKA AKCYJNA (Poland)

Chairman of the Board of Directors and director
> Banco Santander Consumer SA (Portugal)

Sole Director
> Finance Professional SAS (France); term of office expired on 28 June 2019

Director
> Santander Consumer Bank SPOLKA AKCYJNA (Poland)

Director
> Santander Consumer Bank S.p.A. (Italy); term of office expired on 23 July 2019

Managing Director
> Santander Consumer Finance Global Services, S.L. (Spain); term of office expired on 24 June 2019

MARTIN THOMAS

Born on
22 February 1974

Director
First appointed to the Board on 2 February 2015
Current term expires in 2021

Committees
> Audit and Risk
> Appointment
> Wages and salaries

Other positions held in 2019

Director
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)

Chairman of the Managing Board
> Santander Consumer Banque SA (France)

ARNAUD DE LAMOTHE

Born on
24 September 1966

Director
First appointed to the Board on 8 February 2017
Current term expires in 2021

Committees
> Audit and Risk
> Appointment
> Wages and salaries

Deputy Chief Executive Officer
> Banque PSA Finance (France)

Chairman of the Board of Directors and director
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France)
> Bank PSA Finance Rus (Russian Federation)
> PSA Financial Services Spain, E.F.C., SA (France)

Director
> PSA Bank Deutschland GmbH (Germany)
> Peugeot Citroen Leasing (Russian Federation)
> Banca PSA Italia SPA (Italy)
> PSA Finance UK Limited (United Kingdom)
> Opel Bank SA (France)

Member of the Supervisory Board
> PSA Bank Deutschland GmbH (Germany)

INES SERRANO-GONZALEZ

Born on
31 July 1965

Director
First appointed to the Board on 2 February 2015
Resigned from office on 27 June 2019

Other positions held in 2019

Deputy Chief Executive Officer, Member of the Executive Committee and director
> Santander Consumer Finance SA (Spain)

Chairman and Member of the Supervisory Board
> Santander Consumer Banque SA (France); term of office expired on 24 August 2019

Director
> Compagnie Générale de Crédit aux Particuliers – CREDIPAR (France); resigned from office on 27 June 2019
> Financiera El Corte Ingles, E.F.C. SA (Spain)

Member of the Supervisory Board
> Santander Consumer Bank AG (Germany)
> Santander Consumer Holding GmbH (Germany)

1.5.4.2 COMMITTEES

A. Audit and Risk Committee

As at 31 December 2019, the Audit and Risk Committee had the following members:

Name	Position within the PSA Banque France Group
David TURIEL LOPEZ, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Martin THOMAS	Director of PSA Banque France
Arnaud de LAMOTHE	Director of PSA Banque France

B. Appointment Committee

As at 31 December 2019, the Appointment Committee had the following members:

Name	Position within the PSA Banque France Group
Martin THOMAS, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Arnaud de LAMOTHE	Director of PSA Banque France
David TURIEL LOPEZ	Director of PSA Banque France

C. Remuneration Committee

As at 31 December 2019, the Remuneration Committee had the following members:

Name	Position within the PSA Banque France Group
Martin THOMAS, Chairman	Director of PSA Banque France
Rémy BAYLE	Chairman of the Board of Directors of PSA Banque France
Arnaud de LAMOTHE	Director of PSA Banque France
David TURIEL LOPEZ	Director of PSA Banque France

D. Executive Committee

As at 31 December 2019, the Executive Committee had the following members:

Name	Position
Jean-Paul DUPARC	Chief Executive Officer
Laurent AUBINEAU	Deputy Chief Executive Officer
Johnny AUDEBOURG	Responsible Person for I.T. Systems
Jean-Charles BATTAGLIA	Chief Risk Officer
Gregory BONNIN	Chief Human Resources Officer
Pedro CASTRO	Chief Financial Officer
Philippe CHAILLOUT	Chief Sales Officer
Charles DUMAS ALONSO	Audit Director
Laure DURAND	Chief Operations Officer
Catherine NOGUIER	Secretary General
Gilles PEREZ	Chief Collection Officer
Patrick POULETTY	Chief Marketing and Digital Officer

1.5.5 Executive Officers' wages and salaries

PSA Banque France paid no compensation or directors' fees to its directors or Chairman for the 2019 financial year, the Chairman having a paid position in an entity with joint control of PSA Banque France. Information on his compensation for this other mandate may be published by that entity.

The same applies regarding the amount of wages and salaries paid to corporate officers of PSA Banque France who also hold an office within the entities of the Banco Santander Group and the PSA Group having joint control of the Company.

PSA Banque France allocates no shares or stock options.

1.5.6 Diversity policy applicable to the selection of members of the Management Body

PSA Banque France has a diverse management team that is a source of added value and performance for the Company.

Indeed, by building on the representation on its Board of Directors and in its Executive Committee of different social and demographic categories, which are appraised using objective performance criteria in an effort to achieve synergy, PSA Banque France turns these differences to its advantage, reflecting the richness generated by the partnership agreement between Banque PSA Finance and Santander Consumer Finance, which has been in place since February 2015.

By gradually extending these same practices throughout the Company, PSA Banque France also aims to cultivate the commitment and motivation of every employee.

PSA Banque France's goal is to implement balanced representation of women and men on the Board of Directors.

Similarly, in the long term PSA Banque France is aiming for greater diversity, particular in terms of gender balance on its Executive Committee as well as in senior positions, with a target of 10% of these to be held by women.

PSA Banque France is an entity owned by two shareholders, Banque PSA Finance and Santander Consumer Banque, who have equal decision-making rights in appointing the three members of the Board of Directors which they are both responsible for appointing, with no specific rules on the Board of Directors' Diversity Policy stipulated in the agreement between the two shareholders.

However, as a credit institution regulated by the European Central bank and ACPR, for any new appointment to the Board of Directors PSA Banque France must secure the approval of its regulators who then assess the overall diversity of the Board based on the so-called "fit and proper" criteria, in particular in terms of the complementary nature of experience, expertise, age, etc.

1.5.7 Persons responsible for auditing the accounts

PricewaterhouseCoopers Audit

Crystal Park, 63, rue de Villiers,

92200 Neuilly-sur-Seine,

a simplified joint stock company *(société par actions simplifiée)* with capital of €2,510,460,

entered in the R.C.S. (Trade and Companies Register number) of Nanterre under No. 672 006 483.

Statutory Auditors member of the Compagnie régionale de Versailles.

Term of mandate: six years.

Date of end of mandate: 2022 financial year.

Represented at 31 December 2019 by Laurent Tavernier.

Mazars

61, rue Henri-Régnault,

92400 Courbevoie,

a limited-liability corporation *(société anonyme)* with capital of €8,320,000, entered in the Trade and Companies Register of Nanterre under No. 784 824 153.

Statutory Auditors and member of the Compagnie régionale de Versailles.

Term of mandate: six years.

Date of end of mandate: 2019 financial year.

Represented at 31 December 2019 by Matthew Brown.

1.5.8 Investments

Principal investments made during the last five years

Years	Disposals – dissolutions – mergers	Additions
2016-2019	-	-
2015	1 May 2015: absorption merger of SOFIRA into CREDIPAR	30 January 2015: acquisition of CREDIPAR and SOFIRA

1.5.9 Intra-group agreements

The PSA Banque France Group benefits from support services supplied by Banque PSA Finance Group, particularly relating to accountancy and IT services. Furthermore, the PSA Banque France Group is also linked to Santander Consumer Banque and with other entities in the Santander Group concerning certain services such as internal audit, supervision, evaluation, and risk monitoring.

In addition to these service contracts entered into in 2015 by PSA Banque France with either of its shareholders or one of their affiliates, contracts which remained valid throughout 2019, no new agreement was made in 2019 between the Company and either of its shareholders or any of its corporate officers.

1.5.10 Resolutions adopted by the Ordinary and Extraordinary General Meeting of 19 March 2020, as proposed by the Board of Directors on 25 February 2020, concerning the PSA Banque France and consolidated financial statements

ORDINARY RESOLUTIONS

First resolution

Approval of the annual financial statements for the financial year ended 31 December 2019

The General Meeting approves the financial statements for the financial year ended 31 December 2019, as they are presented, which show net income of €139,944,310.29.

Second resolution

Approval of the management report on PSA Banque financial statements and the Statutory Auditors' general report

The General Meeting, after having reviewed the financial statements for the 2019 financial year, the Board of Directors' management report for that financial year, and the Statutory Auditors' general report on those financial statements, approves, in all of its provisions, the Board of Directors' management report.

Third resolution

Approval of the consolidated financial statements for the financial year ended 31 December 2019

The General Meeting, after having reviewed the consolidated financial statements for the 2019 financial year, prepared according to IFRS, which show net banking revenue of €529,126 thousand, approves the financial statements as presented.

Fourth resolution

Approval of the management report on the consolidated financial statements and the Statutory Auditors' general report

The General Meeting, after having reviewed the consolidated financial statements for the 2019 financial year, the Board of Directors' consolidated management report for that financial year, and the Statutory Auditors' general report on those financial statements, approves, in all of its provisions, the Board of Directors' consolidated management report.

Fifth resolution

Allocation of income

The General Meeting, upon a proposal from the Board of Directors, notes that the distributable net income is €475,974,835.20, consisting of net income for the 2019 financial year of €139,944,310.29, plus the balance of "Prior retained earnings" in the amount of €336,030,524.91.

It decides to appropriate this profit available for distribution as follows:

- to "retained earnings": €355,665,010.38;
- to shares: €120,309,824.82.

A dividend of **€13.29** per share will be paid after the General Meeting is held. In accordance with the law, the General Meeting notes that a dividend of €12.83 was paid in respect of the 2018 financial year, a dividend of €10.24 was paid in respect of the 2017 financial year, and a dividend of €7.92 was paid in respect of the 2016 financial year.

Sixth resolution

Approval of the Statutory Auditors' special report on regulated agreements

The General Meeting, after having heard the reading of the special report presented by the Statutory Auditors on regulated agreements approves this report.

Seventh resolution

Ratification of the co-opting of a new director

The General Meeting resolves to ratify the co-opting of Mr. David Turiel, born on 20 January 1965, as director, following a decision taken by the Board of Directors on 27 June 2019. Mr. Turiel will replace Ms. Ines Serrano, who resigned, for the remainder of her term of office, i.e. until the General Meeting called in 2021 to approve the financial statements for the 2020 financial year.

Eighth resolution

Reappointment of a Statutory Auditor (Mazars)

The General Meeting, upon a proposal from the Board of Directors, approves the reappointment of Mazars, Tour Exaltis, 61, rue Henri-Regnault 92400 Courbevoie, as Statutory Auditor for a six-year term, i.e. until the conclusion of the General Meeting called in 2026 to approve the financial statements for the 2025 financial year.

Ninth resolution

Overall amount of wages and salaries of all kinds paid to directors, managers and certain categories of personnel

Pursuant to Article L. 511-73 of the French Monetary and Financial Code, the total wages and salaries package paid by the Company during the 2019 financial year, to the 30 people meeting the criteria set in Article L. 511-71 of that same Code, totalled (gross of tax) €3,596,990.82, broken down as €2,739,238.47 in fixed wages and salaries, €613,801.52 in variable wages and salaries, €221,305.47 in benefits in kind, and €22,645.36 in non-recurring items, it being specified that no employee receives annual remuneration in excess of €1 million.

Regarding the amount of compensation paid to the individuals identified as "risk takers" for the 2019 financial year, who are not employees of the Company and who also hold a mandate within the parent entities having control of the Company, this information may be published by them pursuant to their applicable regulations.

In addition, PSA Banque France does not pay any compensation or director's fees to its directors or Chairman, who hold serve without remuneration and may also hold a remunerated position in an entity with joint control of PSA Banque France.

Tenth resolution

Formalities

The General Meeting hereby grants all powers to the holders of a copy or extract of the minutes of this meeting to carry out all legal and administrative formalities, as well as all publicity measures, more particularly the registration at the Registry of the Commercial Court in compliance with the current legislation.

ORDINARY RESOLUTIONS

Eleventh resolution

Amendment of Article 9 of the by-laws to authorise the written consultation of the Board of Directors pursuant to Law No. 2019-744 of 19 July 2019 on the simplification, clarification and updating of company law

The shareholders, having heard the Board of Directors' report on the provisions of Law No. 2019-744 of 19 July 2019 on the simplification, clarification and updating of company law, which allows the Board of Directors the option of using a written consultation procedure for specific subjects, and voting under the required *quorum* and majority conditions, upon a proposal from the Board of Directors, hereby resolve to amend the Company's by-laws so that the Board of Directors' powers may be exercised by written consultation of the directors – that is to say, without the need for a meeting – and therefore approve the new wording of Article 9 of the by-laws, which will now include a new penultimate paragraph as follows:

"**Article 9**

Composition of the Board of Directors – Procedures for calling and holding meetings.

The Company shall be managed by a Board of Directors composed of four to eight members, appointed for a renewable term of six years.

The number of directors who are natural persons and permanent representatives of legal persons who have reached or exceeded the age of 65 during the year may not exceed one third of the directors in office, such excess being assessed and taking effect at the annual Ordinary General Meeting.

In the event that this limit is exceeded, and in the absence of the voluntary resignation of a sufficient number of individuals or permanent representatives over 65 years of age, the oldest director(s) shall be deemed to have resigned at the end of the aforementioned annual Ordinary General Meeting, to the extent necessary to comply with the one-third limit.

The term of office of the directors or permanent representatives who remain in office within the one-third limit shall expire at the end of the annual Ordinary General Meeting held in the year of their 70th birthday.

The Board of Directors shall be convened by its Chairman as often as the interests of the Company so require (and at least once a year). Any director may request the Chairman to convene the Board of Directors. In the absence of a reply from the Chairman within two working days of a request, the director who requested the meeting of the Board of Directors may convene the Board directly. The notice of meeting of the Board of Directors may be given by any means, including verbally; the notice period is set at ten calendar days when the Board is convened initially, and at three calendar days if it is reconvened. In an emergency, said notice period shall be one working day from the date on which the meeting is called.

The agenda shall be decided by the person who calls the Board Meeting. Other agenda items may be proposed by any director present or deemed present at the meeting. The meeting shall take place at the registered office or at any other place decided by the person calling the meeting.

1.

The Board of Directors shall be lawfully convened (in the first instance or if reconvened) as long as half of its members are present. Any director may be represented at a Board Meeting by another director. At each Board Meeting, members may only represent a single director. Decisions shall be made by a majority of the members present or represented.

Meetings of the Board of Directors may be held in several sessions, depending on the items to be examined by the Board. The person chairing each session shall be appointed at the beginning of each Board Meeting in accordance with the rules of procedure. In the event of a tie, the person chairing the session shall have the deciding vote under the conditions set forth in the rules of procedure.

Directors shall be deemed present for the calculation of the quorum and majority if they participate in the Board Meeting by videoconference or other means of telecommunication enabling them to be identified and effectively take part, as determined by decree of the Council of State, this provision not being applicable to the decisions referred to in the third paragraph of Article L. 225-37 of the French Commercial Code.

Decisions falling within the remit of the Board of Directors may be taken by written consultation of the directors.

The Board of Directors may adopt rules of procedure to establish its mode of operation and that of the specialised committees that it sets up in compliance with the applicable laws and regulations, including these by-laws."

Twelfth resolution

Ratification of the decision of the Board of Directors dated 25 February 2020 to relocate the Company's registered office to the department of Yvelines, at 2-10, Boulevard de l'Europe, Poissy 78300, and the corresponding amendment of Article 4 of the by-laws.

The General Meeting, upon a proposal from the Board of Directors, ratifies the decision taken pursuant to a resolution of the Board dated 25 February 2020 to relocate the Company's registered office from 9, rue Henri-Barbusse, Gennevilliers (Hauts-de-Seine), to Poissy (Yvelines). The General Meeting thus resolves to amend Article 4 of the by-laws as follows:

"**Article 4 – Registered office**

The registered office is at 2-10, Boulevard de l'Europe, Poissy (Yvelines)."


HX-080-WT
VM-158-DS
VM-080-VX

1.6 STATEMENT OF NON-FINANCIAL PERFORMANCE

1.6.1 PSA Banque France Group CSR strategy

Owned on a 50/50 basis by Banque PSA Finance and Santander Consumer Banque since 2 February 2015, PSA Banque France and its affiliated companies, CREDIPAR and CLV, integrate the CSR dimension into both their medium- and long-term strategies as well as their daily operations.

As a brand finance company, the PSA Banque France Group actively supports the electrification strategy of the Peugeot, Citroën and DS ranges and their sustainable mobility offers by designing and marketing dedicated financing and service offers to clients of these brands, meeting this new mobility demand, and thus factoring in environmental risks.

The PSA Banque France Group CSR is based on its workforce with stable employment being the key priority. This favours the commitment, motivation and skills of the teams located at the Headquarters in Gennevilliers and in the three regional branches, as well as at Poissy, where is located Free2Move Lease, the structure dedicated to long-term leases. Facilitating close working relationships and the cross-cutting nature of certain tasks and projects is fostered by a 100% open space layout, including executives, none of whom have their own personal offices.

Since the beginning of 2017 the Executive Committee has deployed a set of five values (transparency, respect, result-oriented culture, creativity and enthusiasm) which are adapted to executive officers, managers and employees, and raise awareness of the whole company with regard to developing behaviour that contributes to its success and commitments and, in particular, the satisfaction of its customers.

Employees must respect the highest standards of integrity in compliance with an updated Code of Ethics and anti-bribery Code of Conduct fighting bribery, the latest version of which was approved by the Board of Directors on 18 December 2019.

The PSA Banque France Group HR policy aims to foster dynamic management of career paths and give priority to the internal mobility of employees, while also promoting gender equality.

In this field, the PSA Banque France Group obtained 83 points out of 100 on the gender equality index for 2019. This first score confirms that the HR policies applied for several years, particularly concerning salaries, have had a positive impact on the situation of women in the Company.

In a similar manner to workplace equality, the parties consider that today the fact of taking into account diversity and equal opportunities represents a fundamental challenge that must be placed at the heart of the Company's employment policy. The diversity of teams with regard to age, social, ethnic or cultural origins ensures both balance and the fact that employees complement each other.

These principles of neutrality and openness have been reaffirmed within the Company since the signing, on 27 June 2018, of a company agreement concerning equal opportunities, diversity and quality of life in the workplace as well through the circulation to all managers of a recruitment guide implementing these principles.

In consequence, the numerous new hires of recent years have led to increasing diversity which the PSA Banque France Group encourages and supports.

The deployment of teleworking, open to a wide group of employees, enables the personnel who made this choice to optimise the quality of their work/life balance. Periodic employee surveys provide the Company with a series of indicators with regard to the commitment of the teams to the PSA Banque France Group values and enable it to put in place corrective actions if necessary.

The implementation of these combined dimensions makes the PSA Banque France Group an essential player in the shaping of new societal behaviour, thus striving to meet in the best possible manner the new expectations of economic actors, namely its individual and corporate end-user customers and the vehicle dealer networks of the Peugeot, Citroën and DS brands.

POLICIES AND PROGRAMMES SUPPORTING THE PSA BANQUE FRANCE GROUP CSR STRATEGY

Code of Ethics	Updated in 2019
Code of Conduct covering acts of bribery	Updated in 2019
Programme for fighting money laundering and the financing of terrorism including Politically Exposed Persons	Updated in 2019
System for collecting alerts (whistleblower procedure)	Updated in 2019
Recruitment Guide (non-discrimination when hiring and diversity)	Updated in 2019
Mobility Charter	2017
Company agreement concerning workplace equality, diversity, quality of life in the workplace and the right to disconnect	2018
Diversity policy applicable to the selection of members of the Management Body	Since 2015 and the partnership with Santander Consumer Finance
Purchasing/supplier relationship process in line with the PSA Group Responsible Purchasing Policy and with regulatory requirements for providers of essential services	-

1.6.2 Business model

The PSA Banque France Group business model is based on its close relationships with the three historic brands of the PSA Group and their distribution networks driven by the ambition, thanks to innovative financing and service solutions, to facilitate access to mobility solutions for the greatest number of customers possible.

OUR RESOURCES

HUMAN

Over **700,000** customers

Nearly **850** employees

FINANCIAL

Loans and financing to our customers with outstandings of **€13.5 billion** of which **€4.6 billion** in new financing granted in 2019

€10.8 billion in external funding of which **€2.6 billion** in retail customer deposits

€1.4 billion in equity

PARTNERSHIPS

Financial partner of the **Peugeot, Citroën** and **DS** brands network

Partnership with **Santander Consumer Finance** since 2015

OUR PRIORITIES

COMMITMENT TOWARDS OUR CUSTOMERS WITH OFFERS TAILORED TO THEIR REQUIREMENTS

COMMITMENT OF OUR EMPLOYEES

PROFITABLE LONG-TERM GROWTH

SUPPORTING THE ENERGY TRANSITION

DIGITAL TRANSFORMATION

CREATING SHARED VALUE

CUSTOMERS

End-user penetration rate **28.8%**

Loyalty rate **93%**

EMPLOYEES

Committed employees **54%**

Workplace equality index **83%**

Women in management **42%**

Employee training **22.7 hours** on average

FINANCIAL HEALTH

CET1 ratio in equity **12.3%**

Leverage ratio **7.6%**

Moderate cost of risk **0.31%**

Long-term credit ratings
S&P : **BBB+**
Moody's : **A3**

ENVIRONMENT

Urban mobility offer (F2ML, Mobility pass linked with financing agreement)

and innovative products

Financing of clean vehicles (electric and hybrid)

Paperless exchanges with the electronic signature of financing agreements and opening a Distingo savings account 100% on line

1.6.3 Mapping of main non-financial challenges and risks with a summary table of the related indicator

LIST OF THE MAIN CHALLENGES AND RISKS LINKED TO THE PSA BANQUE FRANCE GROUP LINE OF BUSINESS WITH THEIR DEFINITION AND THE MONITORING OF RELATED INDICATORS.

CHALLENGES AND RISKS	OBJECTIVES	POLICIES AND PROGRAMS	INDICATORS	2019	2018
BUSINESS ETHICS	• Promoting a code of conduct and ethics among all employees	• Code of Ethics • Policy for anti-money laundering/fight against financing terrorism (LCB-FT procedure, KYC, alert management) • Code of Conduct covering acts of bribery • System for collecting alerts (whistleblower procedure)	Failure to comply with regulations	0	0
			Employee training: • on anti-money laundering • on anti-corruption	 93% 93%	 96% 94%
CUSTOMER SATISFACTION	• Customer loyalty • Responsible lending	• FRC (First Contact Resolution) • Personal webspace for customers • Scoring system and supporting customers experiencing financial problems	Loyalty rate (% of financing for new vehicle financed when it is replaced)	93%	92%
			Dealer survey satisfaction percentage (% satisfied and very satisfied)	90%	86%
EQUALITY, DIVERSITY AND QUALITY OF LIFE IN THE WORKPLACE	• Employee commitment • Well-being at work	• Company agreement concerning workplace equality, diversity, quality of life in the workplace, right to disconnect • Employee engagement and commitment to values survey • Development of teleworking	Workplace equality index (on equal opportunities for men and women)	83%	-
			Percentage of women in management	42%	41%
			Percentage of employees committed (to the company per the annual survey)	54%	57%
			People who benefited from teleworking	273	92
			Absenteeism rate due to illness (excluding maternity leave and leave because of an occupational accident)	2,5%	2,4%
PERSONAL DEVELOPMENT AND EMPLOYABILITY	• Helping employees adapt to business line changes	• Training programs • Company agreement concerning management planning for jobs and skills • Digital skills assessment tool with personal development plan (PDP) • Mobility charter	Number of employees trained	880	870
			Number of training hours per employee	22.7h	21.1h
			Turnover (including retirement and agencies restructuring)	11.8%	11.9%
SUPPORTING THE ENERGY TRANSITION AND THE FIGHT AGAINST CLIMATE CHANGE	• Promoting mobility offers • Financing eco-friendly mobility offers • Paperless exchanges	• Urban mobility offer (F2ML, Mobility pass linked with financing agreement) • Innovative products such as those based on responsible driving (Pay how you drive) • Financing of clean vehicles (electric and hybrid) • Reducing paper consumption with the electronic signature of financing agreements and opening a Distingo savings account 100% online	Financing of electric vehicles (% of financing for new electric vehicles delivered to individuals)	74%	68%
			Percentage of agreements signed electronically (% of customers eligible for e-signature)	49%	45%*

(*) in December 2018.

1.6.4 Policies and due diligence

1.6.4.1 EMPLOYMENT RELATIONS CHALLENGES

In the HR field, the PSA Banque France Group applies a policy of close relationships between managers and employees. These close relationships enable the Company to tackle, in an agile and responsive manner, issues related to health and safety, well-being at the workplace, social dialogue, the promotion of diversity, employment management and skills development.

The PSA Banque France Group uses some of the PSA Group's HRMS tools that are made available to all employees, with a view to improving HR interfaces and skills management: managing absenteeism and teleworking days, appraisal interviews, personal development interviews with the personal development plan and self-study modules.

A three-year training programme intended for all managers started in 2018 and continued in 2019. It is comprised of five modules (communication, organisation, team management, developing motivation and skills enhancement) and is designed to promote collaborative management within the PSA Banque France Group by providing managers with the tools required to achieve the Company's strategic goals. PSA Banque France Group managers are expected to act in an exemplary manner and embody the Company's values on a daily basis. The PSA Banque France Group also endeavours to identify, train and promote the managers of tomorrow. In 2018 and 2019, a 360° questionnaire was issued to all executives and managers to enable them to assess in the best way possible the manner in which they are viewed by their employees, peers and hierarchy. Consolidating these results enables the HR departments to guide the development of management practices.

In 2019, a new agreement concerning the management planning for jobs and skills was signed by the Management and Employee Representatives. This agreement aims to anticipate and plan in advance in the best manner possible for the major changes impacting the banking industry and in particular those related to new customer behaviours resulting from the increased use of new technologies and the changing nature of the prudential rules that guide, in a reinforced manner, business activity. In order to do so, the PSA Banque France Group undertakes, firstly, to identify future changes and the related challenges in order to inform employees about their personal development prospects and career opportunities and, secondly, to put in place the means enabling employees to develop their skills throughout their careers.

In 2019, the PSA Banque France Group continued with the deployment of its policy designed to improve the quality of life in the workplace by, in particular, reasserting the right to disconnect and promoting teleworking in all of its departments. This policy has led to a significant increase in the number of teleworkers (almost 200%) in the Company during 2019.

A. Employment

The PSA Banque France Group is a responsible employer. It undertakes to retain its talents. The average seniority observed is 16 years, and is proof of the specific attention paid to each employee with a view to their development within the Company or its two parent companies and ensure that the personnel enjoy equal opportunities. In 2019. 94 people were hired on permanent contracts or transferred from other companies in the Group.

A Mobility Charter and a Recruitment Guide explain the social and ethical principles advocated by PSA Banque France Group.

B. Employee relations

Seven agreements were signed in 2019:

- addendum to the agreement relating to implementation of measures to reduce working time signed on 11 February 2019;
- agreement concerning the payment of the one-time bonus to boost purchasing power of 15 March 2019;
- agreement concerning salaries in 2019 of 18 March 2019;
- agreement concerning the implementation of the fixed number of (working) days per annum for traveling technicians of 10 October 2019;
- agreement concerning the management planning for jobs and skills of 30 October 2019;
- agreement concerning variable working hours of 17 December 2019;
- rider to the agreement concerning additional reimbursements of medical costs of 20 December 2019.

Hereafter is a list of existing agreements:

- pension scheme;
- additional reimbursements of medical costs;
- implementation of the reduction of working hours;
- agreement concerning manager illness;
- caring for sick children at home – Leave for caring for sick children;
- agreement concerning workplace equality, diversity, quality of life in the workplace and the right to disconnect;
- agreement regarding the social and professional inclusion of the disabled.

1.6.4.2 ENVIRONMENTAL CHALLENGES

A. General environmental policy

The PSA Banque France Group puts in place special actions to take environmental issues into account.

For several years, the PSA Banque France Group has been asserting its commitment and undertaking actions within the framework of sustainable development and environment.

They include:

- collecting certain types of waste (batteries, ink cartridges, paper, etc.) with a view to recycling;
- signing a green lease in an "eco-friendly" building;
- reducing filing areas;
- conducting paperless projects;
- monitoring consumption of water, electricity and heating.

As a general rule, when making its decisions, the PSA Banque France Group integrates the ecological and energy efficiency aspects of its projects to the greatest extent possible:

- the Building of the head office is *NF Bâtiment Tertiaire* (French Tertiary Building standard) certified, meeting BBC/HQE standards, and is equipped with a centralised technical management system for the equipment required for heating, air conditioning, plumbing, lighting and other high voltage devices. It makes it possible to programme and manage remotely the facility's automated equipment in an efficient and economic manner, in addition to benefiting from real-time centralisation of technical alarms;
- the Inter-Company Restaurant is a "Green Restaurant". Special attention is paid to the fight against food waste in partnership with the catering service provider at the facilities in *Île-de-France*;
- the hot water in the Inter-Company Restaurant is provided by "dual-energy" (solar and electric resistance) storage tanks;
- a 170m^3 rainwater harvesting tarp meets water requirements for green spaces;
- a waste separation system (paper and non-hazardous industrial waste) is in place: voluntary carrying to collection points;
- 18 parking spaces reserved for electric or hybrid vehicles with nine charging points installed;
- a beehive has also been installed on the roof of the head office, with the money raised from selling the honey being donated to charity.

Concerning consumables:

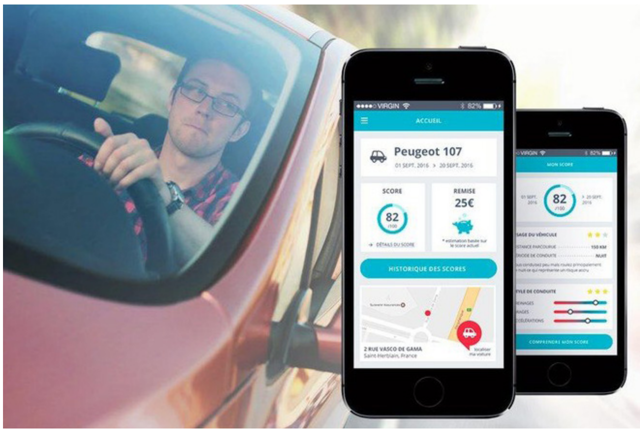
- awareness campaigns regarding good practices in paper consumption, as well as implementing a system for managing printing on shared printers enabling better control of paper consumption (double-sided, A4 format and printing in black by default, secure printing on demand, access to colour printing restricted to a few users);
- the PSA Banque France Group ordering parties or issuers of printed documents give priority to paper sourced from sustainably managed forests (with the following labels: PEFC – promoting sustainably managed forests or FSC – Forest Stewardship Council) and entrust, in the majority of cases, their printing requirements to printers who have "*IMPRIM'VERT*" (vegetable-based ink users) and/or PEFC and/or FSC certification. Starting in 2006 The PSA Banque France Group began informing CITEO each year of the tonnage of printed documents that it issues or has issued by third parties on the market. Since 2014, the PSA Banque France Group, as a CITEO member, has been affixing the certification body's logo on certain printed documents it issues;
- in 2013, the paper used was reduced from 80 to 75 gr. It is only bought from suppliers guaranteeing that their paper is sourced from sustainably managed forests;
- used ink cartridges and batteries are collected by an external company.

Within the framework of reducing travel, the PSA Banque France Group encourages the use of remote meetings (conference calls or telepresence systems). Teleworking was introduced in 2015 and the PSA Banque France Group proposes to employees, on the Intranet site, a carsharing area, especially appreciated during the period of strikes in the Paris public transport system in December 2019.

1.6.4.3 TECHNOLOGICAL INNOVATIONS OF PRODUCTS FOR THE PREVENTION OF ENVIRONMENTAL RISKS

The prevention of environmental risks is at the heart of the technological innovations developed by CREDIPAR. Proactive management of long-term lease agreements, the proposed option of connected services on three trim levels enable vehicle fleet managers to encourage their drivers to drive responsibly. It results in reduced consumption, fewer polluting emissions, reducing stress for drivers and fewer accidents. The signing of a partnership with a major player in fleet management will enable greater support for fleet managers helping them manage their whole fleet in a more eco-friendly manner, for all brands.

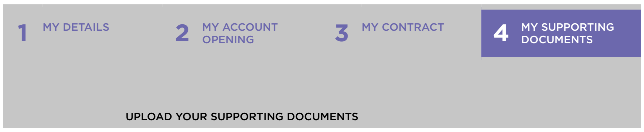
With its automotive insurance offer, the “Pay How You Drive” solution available across all the Peugeot, Citroën and DS ranges enables individuals to benefit from lower premiums thanks to driving responsibly. As of now, when the vehicle is fitted with ADAS (Advanced Driver-Assistance Systems) premiums are optimised. These offers are adapted to the PSA Group’s electric vehicles.



Furthermore, CREDIPAR has launched several digitalisation projects with a view to achieving paperless communication with customers and dealer networks, with a paperless approach:

- electronic signature for financing agreements, at the point of sale, was deployed in 2018, and was initially reserved for individuals. It was extended at the end of 2019 to SMEs with a delegated signing authority that is physically identified. The electronic signature solution is designed with a view to reducing in a significant manner the use of paper, with agreements signed no longer being printed but being made available to customers in a personalised and secure digital safe;
- it is now possible to open a Distingo passbook savings account without any paper being used thanks to uploading supporting documents and electronic signature. This 100% online process also enables smoother account opening.

OPEN A DISTINGO SAVINGS ACCOUNT



- the customer web space is being used by an ever-increasing number of contract holders, enabling individuals to read and check their financing agreements and personal data, make management action requests, update their personal data, obtain a detailed account or amortisation schedule in a paperless manner on a durable medium. When entering into an agreement, new customers are requested to create their own customer area, a process which is simple and user- friendly.

1.6.4.4 SOCIETAL CHALLENGES

A. Promoting mobility offers

In 2019, PSA Banque France, through CREDIPAR, its wholly-owned subsidiary, participated in an active manner in the PSA Group mobility offer: Free2Move. Free2Move contributes towards achieving the goal of the PSA Group to become the preferred mobility supplier on a global scale by 2030. It aims to provide customers, both individuals and companies, with the most comprehensive and practical set of mobility solutions, meeting their requirements in the best possible way. CREDIPAR with its dedicated structure, Free2Move Lease, is one of the pillars of the long-term lease offer of the PSA Group built into the mobility offer as a service and not as a mere financing tool.

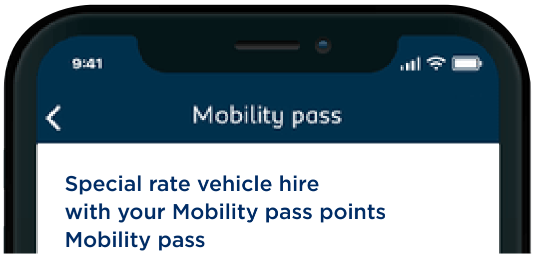
With a fleet of 218,000 long-term lease vehicles, CREDIPAR is a major player in the field of financing company car fleets in France, ranked at fourth place in the French market (source: SESAMLLD).

Vehicle fleet financing solutions enable companies to opt either for a variable rental charge based on actual mileage driven, or for a fixed budget for companies with a stable requirement. “Interparc”, an extranet web site, is at the disposal of customer companies to enable their fleet managers to control, in real time, the costs of using vehicles – TCO, Total Cost of Ownership –, optimise them, and manage them in the best possible way (consumption, etc.).

The PSA Banque France Group has adopted a start-up mindset intended to facilitate mobility for individuals and companies. This is built with a desire for simplicity, to enable the dealer networks to offer customers these major developments without changing their habits. The PSA Banque France Group made the choice to adapt – and not revolutionise – its offer to facilitate the process of electrifying the range of vehicles of the historic brands of the PSA Group (50% of the offer within three years, 100% by 2025).

The 100% electric version of the new 208 (e-208) launched at the end of 2019 represents approximately 15% of all the new 208s ordered. Starting at the end of 2019, all new models of the three brands – Peugeot, Citroën and DS – offer end-users the possibility of an electric or hybrid drive system. The PSA Banque France Group supports the process of electrifying the PSA Group range by putting in place innovative financing and mobility service solutions.

For example, owners of an electric vehicle can sign up, as an option to their financing agreement, for access to a car hire service (in particular, internal combustion engine vehicles for long trips) with advantageous conditions. Monthly payments are topped up enabling owners to optimise their leasing capacity. They are also entitled to a reduction in the cost of the lease. For the Peugeot brand, this service is referred to as Mobility pass.



1.

B. Acting in good faith

In order to promote the concepts of corporate responsible development, the main principles that must govern employee activity were defined in a Code of Ethics in 2016, updated in 2018 and 2019. This ambition takes the form of collective commitments made with regard to the main counterparties and, in particular, customers, employees, shareholders and partners.

Officially implemented in internal policies, these commitments concerning responsible development, formalised by rules of ethical conduct, provide a framework for the actions of the PSA Banque France Group in particular in the areas of corporate social and environmental responsibility, quality, financial information and communication.

These rules cover:

- respecting the law;
- respecting people and the environment;
- respecting customers and their needs;
- protecting personal data and, in particular, customer data;
- respecting the security risk control system of information systems for an ever-stricter fight against cyber crime;
- respecting the PSA Banque France Group and its shareholders.

All employees must apply these rules of good conduct when performing their duties. Breaching these rules may result in disciplinary action for failure to respect labour law in addition to all sanctions set out in administrative law or criminal law which may arise from such a breach.

C. Actions undertaken to prevent bribery

In accordance with Act No. 2016-1691, referred to as the "Sapin II Act", regarding transparency, the fight against bribery and the modernisation of business practice, the PSA Banque France Group decided to reinforce its system designed to prevent and detect acts of bribery or influence peddling in France or abroad. New procedures have been approved by the Board of Directors and applied throughout the Company such as the Procedure and its Manual for the prevention of offenses, a procedure for fighting bribery (anti-bribery Code updated in 2019 with a system for reporting gifts received, accepted or refused with a threshold set at 50 euros) and an internal control model covering the prevention of risks and offenses. An assessment of the exposure of the PSA Banque France Group to all of these risks has been conducted and has not revealed any major flaws.

The system for fighting money laundering and the financing of terrorism (AML-FT) in place since 2014 has been further reinforced with the updating in 2019 of the AML-FT procedure and the KYC procedure. Furthermore, a training programme for all employees is in place. All the staff has had to complete a quiz to ensure they have fully acquired the necessary knowledge. Lastly, a set of controls (with three levels) is in place, concerning the risks identified for each operational process. In this respect, the PSA Banque France Group has, in particular, tools for detecting individuals who are the subject of an assets freeze measure (lists of sanctions from the UN, the EU and France). The qualification of politically exposed person is also systematically checked. The required due diligence, in particular in terms of identification, verification and the source of funds are undertaken in order to ensure good knowledge of customers and transactions.

The PSA Banque France Group has a system for collecting alerts designed for all its employees irrespective of their contractual relationship which enables all Group personnel to inform the compliance manager of any non-compliance situation linked to company business or any dysfunctions of which they are aware. This tool, placed within a context of strict respect of rules set by internal procedures (describing the expectations regarding each employee in particular in terms of the reliability of information provided, respecting the law, respecting customers, respecting the Company and respecting people), and obligations of confidentiality, is part of the system designed for the fight against internal fraud and conflicts of interest. Employees can therefore send an email to a generic mailbox managed by the Business Ethics Department or *via* the BKMS platform (at PSA Group level).

In 2019, the PSA Banque France Group also founded an Irregularities Committee which has the following objective:

- to assess the impact of non-compliance with internal rules or external regulations, in addition to irregularities committed by employees, detected or reported, in accordance with the internal control model of Compliance of the partnership and the Code of Ethics;
- to decide on the measures to be taken, in particular: further inquiries, reporting to the authorities, legal action, termination of the contractual relationship with a third party, request made to HR to start disciplinary proceedings against the employee(s) involved in the breach of the governance of the internal control levels of the Company;
- examine the activities of whistleblowers;
- examine lobbying activities;
- maintain and reinforce the Code of Ethics and the Company's internal control model as well as the related reference documents.

This committee met twice in 2019.

D. Actions undertaken to prevent tax evasion

The tax policy of the PSA Banque France Group is compliant with the rules of transparency and responsibility. It is based on the following principles:

- tax policy is always in accordance with the applicable laws and regulations. It is guided by the national laws and regulations to which the Group is subject in France, in addition to the international reference standards (including the OECD guidelines), in their spirit and letter. Tax declarations, payments of income tax and duties as well as keeping company accounts or taxation reporting are undertaken in accordance with all of these rules;
- the Group treats all taxation questions with integrity and transparency. It seeks to maintain constructive partnerships with the tax authorities in order to optimise the time taken to process cases. However, taxation laws and procedures are complex fields and, in the event of different interpretations of legislation impossible to be quickly and satisfactorily resolved with the tax authorities, the Group uses all the possibilities of review available in order to ensure its rightful position prevails;
- the Group manages tax matters in a proactive manner:
  - it does not use entities or artificial arrangements that do not respond to the intention of legislators and that would be used for tax avoidance purposes;
  - it seeks to meet two objectives: to optimise the creation of value for its shareholders and be fully compliant with all relevant statutory and regulatory obligations, in line with the expectations of different stakeholders;
- the tax policy applied by the Group also demonstrates its responsibility. It spontaneously pays the amounts of duties and income tax legally owed within the framework of the usual performance of its business.

E. Measures taken in favour of the health and safety of consumers

Moreover, within the framework of the regulations regarding consumer protection, training is delivered to new employees in order to make them fully aware of their duty to inform and advise customers.

The granting of consumer credit, which represents almost 70% of the total credit granted, is the subject of specific regulations, protecting consumer rights.

The PSA Banque France Group has a process of identifying its individual customers who are financially vulnerable in application of the Charter on banking inclusion and prevention of over-indebtedness *(Charte d'inclusion bancaire et de prévention du surendettement)* adopted by the *Association Française des Établissements de Crédit et des Companies d'Investissement* (AFECEI). This mechanism implemented in after-sales service and in collection and recovery department makes it possible, based on predefined criteria, to identify the customers at risk at an early stage, support and guide them, and find internal solutions to prevent their financial situation from worsening. The employees concerned by this system attend a specific training course on an annual basis.

More generally, with a view to ensuring quality and improving its customer processes, the PSA Banque France Group has put in place a system for handling the complaints of its clientele aimed in particular at ensuring the quality of their processing (commitment concerning response times, requirement for written replies on a permanent medium). This system requires the appointment of a person to manage the processing of complaints, handle the complaints received in accordance with its provisions, track these complaints (in terms of quantity and type), analyse them and, in the event of their analysis revealing dysfunctions, apply the appropriate corrective measures.

PSA Banque France adheres to the mediation system of the *Fédération des Banques Françaises* (Federation of French Banks). CREDIPAR, its wholly-owned subsidiary, adheres to the mediation system implemented by the *Association Française des Sociétés Financières* – ASF – (Association of French Financial Companies) and specifies, in its financing agreements, the contact details of this independent mediator. as well as those of its Consumer Department in charge of processing complaints. All negative responses from the Consumer Department to complaints made by individuals give rise to communication of the contact details of the independent mediator.

PSA Banque France, through its CREDIPAR subsidiary, adheres to the "Agreement on amicable consumer credit debt recovery" signed by the ASF and different consumer organisations, and which aim to guarantee customers the application of a certain number of rules of good conduct (gradual nature of the debt recovery process, respect of confidentiality and privacy, transparency of relations with customers) and favours, in consequence, amicable debt rescheduling in the event of unpaid overdue amounts.

PSA Banque France, through its CREDIPAR subsidiary, participates within ASF in working groups concerning consumer protection (borrowers) and the fight against over-indebtedness.

Today, the PSA Banque France Group conducts customer surveys online with a view to increasing their satisfaction further still and enhancing the efficiency of its after-sales teams. Over 57,000 customers responded in 2019. Dissatisfied customers are called back to clarify their situation in order to provide the best possible response whenever possible.

1.6.5 Report by the Independent Third-Party Body on the consolidated Non-Financial Statement included in the Group Management Report

PSA BANQUE FRANCE

For the year ended 31 December 2019

This is a free translation into English of the report on the consolidated non financial statement issued in French by the independent third-party body and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as an independent third party of PSA Banque France and accredited by COFRAC under number No. 3-1080 [(1)], we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2019 (hereinafter the "Statement"), included in the Group management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Executive Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the independent third-party body

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3° and II of the French Commercial Code, i.e. the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of anti-corruption;
- the compliance of products and services with the applicable regulations.

Conclusion on the compliance of the non-financial Statement and the Information fairness

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

(1) whose scope is available at www.cofrac.fr

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III as well as information regarding compliance with human rights, anti-corruption and tax avoidance legislation;
- we verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important [(2)];
- we verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes [(3)] that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities [(4)] and covers 100% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of the entity the consolidated entities.

We believe that the work performed, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work involved three persons and was conducted between December 2019 and February 2020 during a 2 week period. We were assisted in our work by our specialists in sustainable development and corporate social responsibility.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted interviews with people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Neuilly-sur-Seine, 6 March 2020

Original French report signed by:

Independent third-party body
Grant Thornton
French member of Grant Thornton International

Vincent Frambourt	Tristan Mourre
Partner	Director

(2) *Qualitative information: "Technological innovations of products for the prevention of environmental risks"; "Measures taken in favour of the health and safety of consumers".*

(3) *Loyalty rate; Dealer survey satisfaction percentage; Workplace equality index; Percentage of women in management; Percentage of employees committed; Absenteeism rate due to illness; Number of employees trained; Number of training hours per employee; Turnover; % of financing for new electric vehicles delivered to individuals.*

(4) *PSA Banque France.*

2. CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

2.1 CONSOLIDATED BALANCE SHEET

(in million euros)	Notes	31/12/2019	31/12/2018
Assets			
Cash, central banks	3	453	329
Financial assets at fair value through profit or loss	4	-	1
Hedging instruments		-	-
Financial assets at fair value through Equity		-	-
Debt securities at amortised cost		-	-
Loans and advances to credit institutions at amortised cost	5	979	668
Customer loans and receivables at amortised cost	6 and 26	13,524	11,813
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	23.1	-	1
Current tax assets	27.1	9	2
Deferred tax assets	27.1	1	1
Accruals and other assets	7	377	329
Investments in associates and joint ventures accounted for using the equity method		-	-
Property and equipment	8	18	9
Intangible assets		-	-
Goodwill		-	-
TOTAL ASSETS		**15,362**	**13,153**

(in million euros)	Notes	31/12/2019	31/12/2018
Equity and liabilities			
Central banks		-	-
Financial liabilities at fair value through profit or loss	9	2	3
Hedging instruments	10	-	-
Deposits from credit institutions	11	3,738	3,764
Due to customers	12	2,877	2,518
Debt securities	13	5,971	4,574
Fair value adjustments to debt portfolios hedged against interest rate risks	23.1		-
Current tax liabilities	27.1	3	11
Deferred tax liabilities	27.1	374	329
Accruals and other liabilities	14	776	473
Provisions	15	23	21
Subordinated debt	16	155	155
Equity		1,443	1,305
Equity attributable to equity holders of the parent		1,443	1,305
Share capital and other reserves		757	757
Consolidated reserves		688	550
Of which Net income - equity holders of the parent		*254*	*218*
Gains and losses recognised directly in Equity		(2)	(2)
Minority interests		-	-
TOTAL EQUITY AND LIABILITIES		**15,362**	**13,153**

2.2 CONSOLIDATED INCOME STATEMENT

(in million euros)	Notes	31/12/2019	31/12/2018
Interest and similar income	20	475	418
Interest and similar expenses	21	(78)	(59)
Fees and commissions income	22	139	129
Fees and commissions expenses	22	(4)	(4)
Net gains or losses on financial instruments at fair value through profit or loss	23	(2)	1
Net gains or losses on financial instruments at fair value through equity		-	-
Net gains or losses resulting from the derecognition of financial assets at amortised cost		-	-
Net gains or losses resulting from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss		-	-
Net gains or losses resulting from the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss		-	-
Net income of insurance activities		-	-
Income on other activities	24	23	22
Expenses on other activities	24	(24)	(15)
Net banking revenue		**529**	**492**
General operating expenses	25	**(154)**	**(154)**
Personnel costs		(66)	(68)
Other general operating expenses		(88)	(86)
Depreciation and amortisation of intangible and tangible assets		**(5)**	**(2)**
Gains and losses on investments in companies that can be consolidated and other disposals of fixed assets		**-**	**-**
Gross operating income		**370**	**336**
Cost of risk	26	**(37)**	**(14)**
Operating income		**333**	**322**
Share in net income of associates and joint ventures accounted for using the equity method		-	-
Impairment on goodwill		-	-
Pension obligation - expenses		-	-
Pension obligation - income		-	-
Other non-operating items		-	(1)
Pre-tax income		**333**	**321**
Income taxes	27.2 and 27.3	(79)	(103)
Net income		**254**	**218**
of which minority interests		-	-
of which attributable to equity holders of the parent		*254*	*218*
Earnings per share *(in euros)*		**€28.06**	**€24.08**

2.

2.3 NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY

	31/12/2019			31/12/2018		
(in million euros)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Net income	**333**	**(79)**	**254**	**321**	**(103)**	**218**
of which minority interest			-			-
Recyclable in profit and loss elements						
Fair value adjustments to hedging instruments	-	-	-	-	-	-
of which revaluation reversed in net income	-	-	-	-	-	-
of which revaluation directly in equity	-	-	-	-	-	-
Not recyclable in profit and loss elements						
Actuarial gains and losses on pension obligations	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total gains and losses recognised directly in Equity	**(0.7)**	**0.4**	**(0.3)**	**-**	**-**	**-**
of which minority interest						-
Total net income and gains and losses recognised directly in Equity	**332**	**(79)**	**254**	**321**	**(103)**	**218**
of which minority interest			-			-
of which attributable to equity holders of the parent			*254*			*218*

2.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital and other reserves				Fair value adjustments - equity holders of the parent				
(in million euros)	Share capital	Issue, share and merger premiums	Legal reserve and other reserves	Consolidated reserves	Actuarial gains and losses on pension obligations	Financial assets at fair value through equity: revaluation	Equity attributable to equity holders of the parent	Minority interests	Total equity
At 1 January 2018	**145**	**593**	**19**	**425**	**(2)**	**-**	**1,180**	**-**	**1,180**
Appropriation of profit from the previous financial year	-	-	-	-	-	-	-	-	-
Net income and gains and losses recognised directly in equity	-	-	-	218	-	-	218	-	218
Dividend paid to Santander Consumer Finance	-	-	-	(46)	-	-	(46)	-	(46)
Dividend paid to Banque PSA Finance	-	-	-	(46)	-	-	(46)	-	(46)
At 31 December 2018	**145**	**593**	**19**	**550**	**(2)**	**-**	**1,305**	**-**	**1,305**
Appropriation of profit from the previous financial year	-	-	-	-	-	-	-	-	-
Net income and gains and losses recognised directly in equity	-	-	-	254	-	-	254	-	254
Dividend paid to Santander Consumer Finance		-	-	(58)	-	-	(58)	-	(58)
Dividend paid to Banque PSA Finance		-	-	(58)	-	-	(58)	-	(58)
At 31 December 2019	**145**	**593**	**19**	**688**	**(2)**	**-**	**1,443**	**-**	**1,443**

On legal terms:

On 31 December 2014, PSA Banque France's share capital was €9,600,000, fully paid-up; it was divided into 600,000 shares.

On 31 December 2015, PSA Banque France's share capital was €144,842,528 fully paid-up; it was divided into 9,052,658 shares.

As a reminder, on 30 January 2015, the following operations were recognised at PSA Banque France:

- *a capital increase for an amount of €131,627,216, through the issue of 8,226,701 new ordinary shares with a value of €16 each in payment for contributions in kind (contribution of SOFIRA and CREDIPAR shares by Banque PSA Finance);*
- *share premium of an amount of €722,082,615.23 corresponding to the difference between the value of the contributions, representing €853,709,831.23, and the nominal value of the shares issued in payment for the contributions, representing €131,627,216;*
- *a cash capital increase of a nominal amount of €3,615,312 through the issue, with maintaining of preferential right to subscribe, of 225,957 shares of €16 nominal value each associated with a total premium of €19,832,904.52.*

Since 31 December 2016, PSA Banque France's share capital is €144,842,528 fully paid-up; it is divided into 9,052,658 shares.

In accordance with the Amendment to IAS 1 - Presentation of Financial Statements - Capital Disclosures, the necessary information is given in the paragraph "Capital and capital requirement" of the Management Report.

2.5 CONSOLIDATED STATEMENT OF CASH FLOWS

(in million euros)	31/12/2019	31/12/2018
Pre-tax income	**333**	**321**
Non-cash items		
Net depreciation and impairment of property and equipment and intangible assets	4	2
Net depreciation and provisions	56	25
Net gain/loss of investing activities	-	-
Income/expenses of financing activities	3	2
Other movements	(12)	27
Total of non-monetary items included in the pre-tax income and other adjustments	**51**	**57**
Change in credit institutions items	194	(189)
Change in customer items	(1,367)	(1,248)
Change in financial assets and liabilities	1,395	1,240
Change in non-financial assets and liabilities	220	(100)
Tax paid	(50)	(34)
Net decrease/increase of assets and liabilities provided by operating activities	**392**	**(331)**
Net cash provided by operating activities (A)	**776**	**47**
Change in equity investments:	**-**	**-**
Inflows from disposals of shares in subsidiaries, net of cash transferred	-	-
Outflows linked to acquisitions of shares in subsidiaries, net of cash transferred	-	-
Change in property and equipment and intangible assets:	**(2)**	**(1)**
Outflows from acquisitions of property and equipment and intangible assets	(3)	(3)
Inflows from disposals of property and equipment and intangible assets	1	2
Effect of changes in scope of consolidation	**-**	**-**
Net cash used by investing activities (B)	**(2)**	**(1)**
Cash flows from or to shareholders		
Outflows for the dividends paid to:	(116)	(93)
Santander Consumer Finance	(58)	(46)
Banque PSA Finance	(58)	(46)
Inflows from issuance of equity instruments	-	-
Other net cash from financing activities		
Inflow/(outflow) linked to subordinated debt	(5)	(3)
Net cash used by financing activities (C)	**(121)**	**(96)**
Effect of changes in exchange rates (D)	**-**	**-**
Net increase/(decrease) of cash and cash equivalents (A + B + C + D)	**653**	**(50)**
Cash and cash equivalents at the beginning of the period	**771**	**820**
Cash, central banks (assets and liabilities)	329	365
Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	442	456
Cash and cash equivalents at the end of the period	**1,424**	**771**
Cash, central banks (assets and liabilities)	453	329
Demand accounts (assets and liabilities) and loans/borrowing with credit institutions	971	442

2.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary

NOTE 1 Main events of the financial year and Group structure

A. MAIN EVENTS OF THE FINANCIAL YEAR

Refinancing strategy

Since 2015, PSA Banque France Group has received intra-group funding directly from Santander Consumer Finance, in addition to the financing provided by retail savings inflow from French customers, bilateral bank credit lines, monetary programmes (NEU CP and NEU MTN) and a bond issuance programme (EMTN).

In 2019, diversification of the refinancing policy continued by developing access to capital markets, in particular with the completion of two bond issues in April and June under the EMTN programme for an amount of €500 million each. The outstanding of the monetary programmes also substantially increased in 2019 to exceed a billion euros.

B. CHANGES IN GROUP STRUCTURE

There was no change in the PSA Banque France Group structure during 2019.

C. LIST OF CONSOLIDATED COMPANIES

		PSA Banque France interest			31/12/2019		31/12/2018	
			Indirect					
Companies	Country ISO code	% Direct	%	Held by	Consolidation method	% interest	Consolidation method	% interest
Subsidiaries								
Sales financing								
CREDIPAR	FR	100	-		FC	100	FC	100
CLV	FR	-	100	CREDIPAR	FC	100	FC	100
Special purpose entities								
FCT Auto ABS French Loans Master	FR	-	-		FC	100	FC	100
FCT Auto ABS DFP Master – Compartment France 2013	FR	-	-		FC	100	FC	100
FCT Auto ABS French Leases Master – Compartment 2016	FR	-	-		FC	100	FC	100
FCT Auto ABS French LT Leases Master	FR	-	-		FC	100	FC	100
FCT Auto ABS French Leases 2018	FR	-	-		FC	100	FC	100

NOTE 2 Accounting policies

In accordance with European Council Regulation 1606/2002/EC dated 19 July 2002 on the application of international accounting standards from 1 January 2005, PSA Banque France Group's consolidated financial statements for the financial year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable and adopted by the European Union as of that date.

International Financial Reporting Standards (IFRS) also include International Accounting Standards (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The presentation of PSA Banque France Group's consolidated financial statements for the year ended 31 December 2019 are prepared according to the recommendation of the French accounting standards (ANC) setter, in particular the recommendation ANC No. 2017-02 of 2 June 2017 related to the presentation of the consolidated financial statements of banking institutions on 1 January 2018.

The standards and interpretations applied at 31 December 2019 were unchanged compared to 31 December 2018 except for the adoption of standards and interpretations whose application was compulsory for the first time in 2019.

New IFRSs and IFRIC Interpretations applicable compulsorily in the fiscal year starting on 1 January 2019

The new texts, whose application is compulsory in the fiscal year starting on 1 January 2019 and applied by PSA Banque France Group are the following:

- **IFRS 16 – Leases**

During more than 10 years the IASB worked, jointly with the FASB, on the revision of IAS 17 which objective is to prescribe the appropriate accounting policies for buy-back/finance and operating leases. On 13 January 2016, the IASB published the IFRS 16 definitive text. This standard was adopted by the European Union on 9 November 2017 and has been applicable since 1 January 2019.

IFRS 16 standard is not supposed to have a significant impact on PSA Banque France Group for the lessor accounting model, as the measures required by the standard on this issue are convergent with IAS 17.

However, impacts mainly concern the leases related to the offices of PSA Banque France Group, as a lessee.

According to the decision of Banque PSA Finance and Santander, PSA Banque France Group applies the IFRS 16 using the modified retrospective approach, permitting not to restate comparative figures.

The following options proposed by IFRS 16 were elected by PSA Banque France Group as per the decision of Banque PSA Finance and Santander Consumer Finance:

Lease definition: application of IFRS 16 only to contracts classified as leases in accordance with IAS 17, without review of their classification in the light of the new definition.

Exemptions to the compulsory recognition in the balance sheet of the leases with the following characteristics:

- short-term leases, namely contracts with a remaining term less or equal to 12 months;
- contracts referring to assets of low value.

Modified retrospective application: recognition of a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17 and to measure that right of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The following practical expedients related to the modified retrospective application were set:

- leases for which the lease term ends within 12 months of the date of initial application are not taken into account;
- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- as an alternative to performing an impairment review, to rely on the assessment of whether leases are onerous applying IAS 37 ''Provisions, Contingent Liabilities and Contingent Assets'' immediately before the date of initial application. Instead, the right-of-use asset is adjusted by any previous onerous lease provisions at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The right-of-use asset for the first time application of the PSA Banque France Group amounts to €12.5 million without impact on equity.

Consequently, the IFRS 16 first time application did not generate an important impact for the PSA Banque France Group.

- **IFRIC 23 – Uncertainty over Income Tax Treatments**

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 "Income Taxes" concerning the recognition and measurement while there is uncertainty on the treatment of income taxes.

This text does not impact significantly PSA Banque France Group.

Other standards do not have significant impacts on the PSA Banque France Group.

Format of the financial statements

As no template is provided in IFRS, the consolidated financial statements of the PSA Banque France Group are presented largely in accordance with Autorité des Normes Comptables (ANC), recommendation No. 2017-02 of 2 June 2017 related to the ''presentation report international of the consolidated financial statements of banking institution's'. PSA Banque France Group's consolidated financial statements include prior year comparatives.

The consolidated financial statements include the financial statements of PSA Banque France and its subsidiaries, based on the ''consolidation methods'' described in section A below.

The individual statutory financial statements of PSA Banque France and its subsidiaries are prepared in accordance with the accounting principles in force in France. These statements are adjusted to comply with Group accounting policies for inclusion in the consolidated financial statements.

Significant accounting policies applied by the Group are described in sections B to G below.

Related entities correspond to entities which have control or joint control of the reporting entity or significant influence over the reporting entity according to the definition indicated by IAS 24R.

The annual consolidated financial statements and notes for the PSA Banque France Group were approved by the Board of Directors on 25 February 2020.

A. BASIS OF CONSOLIDATION

A.1 Consolidation methods

Companies in which PSA Banque France directly or indirectly holds a majority interest are fully consolidated.

All material intragroup transactions and balances between the entities of the Group are eliminated in consolidation.

A.2 Foreign currency transactions

Transactions in foreign currencies are measured and recognised in accordance with IAS 21 – The Effects of Changes in Foreign Exchange Rates. In compliance with this standard and also with banking regulations, transactions denominated in foreign currencies are recorded in the original currency. At each period-end, balance sheet items in foreign currencies are revalued at fair value at the ECB closing exchange rate. The corresponding revaluation differences are recognised in the income statement under “Currency instruments”. At 31 December 2019 there was no revaluation difference related to currency instruments at PSA Banque France.

A.3 Use of estimates and assumptions

The preparation of financial statements in accordance with IAS/IFRS requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Management believes that, in preparing the financial statements, it has applied the most appropriate and reasonable estimates and assumptions considering the Group’s business environment and past experience.

Due to the uncertainty of these valuations, actual results may differ from these estimates.

To limit this uncertainty, estimates and assumptions are reviewed periodically and any changes to reported amounts are recognised immediately, in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Estimates and assumptions are used in particular to measure the following:

- fair value of financial assets and liabilities at fair value through profit or loss;
- recoverable amount of customer loans and receivables;
- fair value adjustments to finance receivables and debt portfolios hedged against interest rate risks;
- deferred tax assets;
- value in use and useful lives of property and equipment;
- provisions;
- pension obligations.

A.4 Main consolidation adjustments

Recognition and measurement of derivative instruments, hedge accounting IAS 39

In the financial statements prepared according to French standards, the fair value principle under IAS 39 – Financial Instruments: Recognition and Measurement is not applied. Measurement at fair value of derivative instruments, financial assets and certain financial liabilities at fair value through profit or loss, and application of hedge accounting in accordance with IAS 39 therefore give rise to certain consolidation adjustments. The underlying principles are described in section C “Financial assets and liabilities”, below. The principles of valuation at fair value are applied in accordance with the IFRS 13 standard.

Deferred taxes

Certain adjustments to the accounts of subsidiaries to comply with PSA Banque France Group accounting policies, and timing differences between the recognition of certain items of income and expense for statutory financial reporting and tax purposes or arising from consolidation adjustments, can generate temporary differences between the tax base and adjusted income. In accordance with IAS 12 – Income Taxes, deferred taxes are recognised in the consolidated financial statements for these differences using the liability method, where they can reasonably be expected to be recovered. Similarly, deferred tax assets are recognised for tax loss carry forwards.

No provision has been made for deferred taxes on the undistributed earnings of subsidiaries, as these earnings are considered as having been permanently reinvested.

B. FIXED ASSETS

B.1 Property, plant and equipment

In accordance with IAS 16 – Property, Plant and Equipment, property and equipment are stated at cost. Property and equipment other than land are depreciated by the straight-line method over the following estimated useful lives:

- buildings: 20 to 30 years;
- transport equipment: 4 years;
- other property and equipment: 4 to 10 years.

The basis for depreciation is determined by deducting the assets’ residual value, if any. The Group’s assets are generally considered as having no residual value.

Estimated useful lives are reviewed at each year-end and adjusted where necessary.

Following the entry into force of IFRS 16 - Leases from 1 January 2019, all leases are treated by the lessee as the acquisition of a right to use an asset, during the term of the contract, in return for the obligation to pay lease payments.

As a result, from the outset, PSA Banque France, as the lessee, recognises this right of use, which is amortised over the term of the contract. In return, a lease liability is recognised in other financial liabilities Lease payments are made in the form of repayment instalments, including a capital and an interest portion in the income statement. As a result, the annual rental expense (depreciation/amortisation and interest for the period) decreases over the term of the contract.

B.2 Impairment of fixed assets

In accordance with IAS 36 – Impairment of Assets, property and equipment and intangible assets are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets with indefinite useful lives must be tested for impairment at least once a year. Goodwill is the only indefinite-lived asset carried in the Group accounts.

For this test, fixed assets are grouped into Cash Generating Units (CGUs) and goodwill is allocated to the CGU concerned. CGUs are homogeneous groups of assets whose continuing use generates cash inflows that are largely independent of the cash inflows generated by other groups of assets. The value in use of a CGU is measured as the net present value of estimated future cash flows. If this value is less than the CGU's net book value, an impairment loss is recognised in operating income. The impairment loss is first recorded as an adjustment to the carrying amount of any goodwill.

The PSA Banque France Group as a whole corresponds to a unique CGU.

C. FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are recognised and measured in accordance with IFRS 9 adopted by the European Commission in November 2016 (regulation (EU) 2016/2067).

As allowed under IFRS 9, the PSA Banque France Group has elected to apply transaction date accounting to financial assets and liabilities. Consequently, when the transaction date (corresponding to the date when the commitment is entered into) is different from the settlement date, the purchase or sale of securities is recognised in the balance sheet on the transaction date (see section C.5.2 below).

PSA Banque France Group books passbook savings accounts in "Due to customers ".

C.1 Derivatives – Application of hedge accounting

C.1.1 Recognition and measurement

All derivatives are recognised in the balance sheet at fair value. Except for instruments designated as cash flow hedges (see below), gains and losses arising from remeasurement at fair value are recognised in profit or loss.

Derivatives may be designated as hedging instruments in one of two types of hedging relationships:

- fair value hedge, corresponding to a hedge of the exposure to changes in fair value of an asset or liability due to changes in exchange rates or interest rates;
- cash flow hedge, corresponding to a hedge of the exposure to variability in cash flows from existing or future assets or liabilities.

Derivatives qualify for hedge accounting when :

- at the inception of the hedge there is formal designation and documentation of the hedging relationship;
- the effectiveness of the hedging relationship is demonstrated at its inception;
- the actual effectiveness of the hedging relationship is also demonstrated at each period end.

The effects of hedge accounting are as follows :

- for fair value hedges of existing assets and liabilities, the hedged portion of the asset or liability is recognised in the balance sheet and measured at fair value. Gains and losses arising from remeasurement at fair value are recognised in profit or loss, and are offset by the effective portion of the loss or gain arising from remeasurement at fair value of the hedging instrument. Fair value adjustments to hedged financial assets and liabilities are reported under "Fair value adjustments to portfolios hedged against interest rate risks", in assets for hedged finance receivables and in liabilities for hedged debt;
- for cash flow hedges, the effective portion of the gain or loss arising from remeasurement at fair value of the hedging instrument is recognised in equity. The cumulative gains and losses recognised in equity are included in profit or loss when the hedged item affects profit or loss. This strategy is not used for PSA Banque France Group for the moment.

The ineffective portion of the gain or loss arising from remeasurement at fair value of both fair value and cash flow hedges is recognised in profit or loss.

C.1.2 Presentation of derivatives in the financial statements

Balance sheet:

- derivatives are stated in the balance sheet at fair value net of accrued interest;
- fair values of derivatives used as hedges are recognised under "Hedging instruments", in assets when the fair value is positive and in liabilities when it is negative;
- derivatives that do not qualify for hedge accounting are included in "Financial assets at fair value through profit or loss" when the fair value is positive, and in "Financial liabilities at fair value through profit or loss" when it is negative.

Income statement:

- gains and losses arising from remeasurement at fair value of fair value hedges are recognised under the same caption as the losses and gains on the hedged items;
- the ineffective portion of gains and losses arising from remeasurement at fair value of cash flow hedges is reported under "Hedging gains and losses";

- gains and losses arising from remeasurement at fair value of derivatives not designated as hedges are recognised under “Net gains (losses) on trading transactions”, with the exception of:
  - derivatives used to hedge short-term cash investments: gains or losses are recognised under “Fair value adjustments to assets valued using the fair value option”,
  - derivatives used to hedge certain liabilities valued using the fair value option: gains and losses are recognised under “Fair value adjustments to financing liabilities valued using the fair value option”.

IFRS 13 requires to present the valuation methods of the financial assets and liabilities at fair value as well as their hierarchy (level 1, 2 or 3).

The valuation methods have to maximise the use of observable market data. These methods are classified according to the same three-level hierarchy (in descending order of priority) as IFRS 7 for financial instruments:

- **level 1:** quoted price (without adjustment) for similar instruments on an active market.

  An active market is a market in which there are sufficiently frequent and large volumes on assets or liabilities to provide price information in a continuous way;
- **level 2:** valuation using only observable data for a similar instrument on an active market;
- **level 3:** valuation making significant use of at least one non-observable item of data.

  In the balance sheet, the valuations are of level 1 or 2, presented in the related notes. Only the specific note “Fair Value of Financial Assets and Liabilities” uses valuation methods of level 3, detailed in Note 18.

C.2 Financial assets at fair value through profit or loss

This caption includes:

- the positive fair value of other derivatives that do not qualify for hedge accounting under IFRS 9;
- securities receivable, which are recognised as from the transaction date.

C.3 Financial Liabilities at Fair Value Through Profit or Loss

This item comprises liabilities valued using the fair value option. The Group has elected to use this option in certain instances to improve the presentation of its financial statements by recognising fair value adjustments to the liabilities symmetrically with the fair value adjustments made to the derivatives used to hedge the interest rate risk on those liabilities. Accordingly, the fair value adjustments include any changes in PSA Banque France Group’s issuer spread. At 31 December 2019, no liabilities were measured using the fair value option.

This caption also includes the negative fair value of other derivatives that do not qualify for hedge accounting under IFRS 9, including interest rate derivatives intended to hedge financial assets or liabilities at fair value through profit or loss.

C.4 Customer loans and receivables

The different customer categories are presented in section “E. Segment information” (see below).

Customer loans and receivables are analysed by type of financing:

- **Financing in the following categories,** as defined by French banking regulation:
  - loans,
  - leasing with a purchase option,
  - long-term leases.

  As explained in section C.4.2 below, buyback contracts and long-term leases are adjusted to present each transaction as a loan.

  These types of financing are mainly intended for the following customer segments:
  - **Retail** (individuals, small to medium-sized companies and larger companies not meeting the criteria for classification as Corporates, Sovereigns, Banks or Local Administrations);
  - **Corporate and equivalent** (including Corporates other than dealers, Sovereigns, Banks and Local Administrations);
  - and, in rare cases, for **Corporate dealers;**
- **Wholesale financing,** (i.e. financing of vehicles and spare part inventories), as defined by French banking regulations.

  Wholesale financing is primarily intended for Corporate dealers (mainly Peugeot, Citroën and DS dealers, importers of new Peugeot, Citroën and DS vehicles, certain used vehicle dealers);
- other customer loans and receivables, including equipment loans and revolving credit, and ordinary accounts in debit.

C.4.1 Loans and receivables measured at amortised cost

Loans and receivables recognised in the balance sheet correspond to PSA Banque France Group’s net commitment in respect of these receivables. Therefore, as well as the outstanding principal and accrued interest, the carrying value of finance receivables excluding the application of the hedge accounting (see section C.4.3 herein below) also includes:

- commissions paid to referral agents as well as external direct administrative expenses, which are added to the outstanding principal;
- contributions received from the brands and transaction fees to be spread out, which are deducted from the outstanding principal;
- guarantee deposits received at the inception of finance leases, which are deducted from the amount financed.

Measurement at amortised cost reflects the best estimate of the maximum credit risk exposure on loans and receivables.

Interest income is allocated by the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash receipts through the expected life of the loan.

C.4.2 Lease financing

In accordance with IFRS 16 – Leases and IFRS 9, vehicles leased to customers are treated as in-substance loans because the risks and rewards of ownership of the vehicle do not lie with PSA Banque France Group.

Consequently, rental revenues and depreciation expenses on the vehicles are adjusted in order to present all of these transactions as loans outstanding.

C.4.3 Hedges of interest rate risks on outstanding loans and receivables

Outstanding loans can be hedged against interest rate risks, using fair value hedges that qualify for hedge accounting. Accordingly, gains and losses arising from remeasurement at fair value of the hedged portion of the loans are recognised in profit or loss (see section C.1.1 "Derivatives – recognition and measurement").

C.4.4 Impairment losses

Impairment losses are identified separately under specific line items.

The different customer categories are presented in section "E. Segment information" (see below).

According to IFRS 9, all exposures Retail and Corporate are concerned by allowances based on expected credit losses since their initial recognition.

The financial instruments are classified in three stages depending on the evolution of the credit risk since their initial recognition. Impairment is booked on outstanding amount of each of these stages according to the following principles:

Stage 1

Sound loans without significant deterioration in credit risk since initial recognition. The impairment for credit risk is recorded in the amount of 12-month expected credit losses. Interest income is recognised through profit or loss using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 2

In the event of a significant increase in credit risk since initial recognition, the sound loans are transferred from stage 1 to stage 2. The impairment for credit risk is determined on the basis of loss over the remaining life of the instrument (expected loss at maturity). The interest income is recognised through profit or loss using the effective interest rate method applied to the gross carrying amount of the asset before impairment.

Stage 3

The financial receivables called "impaired" under IFRS 9 are classified in stage 3. There is objective evidence of impairment arising from one or more events occurring after initial recognition of these loans. Stage 3 concerns financial receivables for which a default event was identified as determined in article 178 of the regulation of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms. The impairment or provision for credit risk is calculated as the expected loss over the remaining life of the instrument (expected loss at maturity) on the basis of the recoverable amount of the receivable, i.e. the present value of the estimated recoverable future cash flows taking into account the effect of guarantees. The interest income is recognised through profit or loss based on the effective interest method applied to the net carrying amount of the asset after impairment.

Classification in loss / Write-off

The standards of PSA Banque France Group provide for the classification in loss / write-off of Retail financing with past-due instalments of more than 48, 36, or 24 months, depending on the type of financing concerned as well as Corporate financing when a finance receivable is considered as irrecoverable. The loss is recognised through profit or loss on the individual financial statements. The previously-recognised impairment loss is also reversed through profit or loss. Any subsequent recoveries are credited to the income statement under "Cost of risk".

C.5 Financing liabilities

Upon initial recognition, financing liabilities are measured at the amount of the net proceeds received. Their carrying amount therefore comprises the outstanding principal and accrued interest, plus:

- debt issuance and set-up costs;
- issue or redemption premiums, if any.

Interest expense is allocated by the effective interest method, with the effective interest rate being the rate that exactly discounts estimated future cash outflows through the expected life of the debt.

C.5.1 Hedges of interest rate risks on financing liabilities

Financing liabilities hedged by interest rate swaps are remeasured at fair value in accordance with hedge accounting principles applicable to fair value hedges. Gains and losses arising from remeasurement at fair value of the hedged portion of the liability are recognised in profit or loss and are offset by the effective portion of changes in the fair value of the swaps (see section C.1.1 "Derivatives – recognition and measurement").

C.5.2 Debt securities

Debt securities include certificates of deposit, bonds, interbank instruments and money market securities, other than subordinated securities which are reported under "Subordinated debt".

This caption also includes securities to be delivered, which are recognised as from the transaction date.

D. PROVISIONS

In accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, a provision is recorded when the Group has a present obligation towards a third party as a result of a past event, it is probable or certain that an outflow of resources embodying economic benefits will be required to settle the obligation, and no inflow of resources representing an equivalent amount is expected. Restructuring provisions are recorded only when the restructuring has been announced and the Group has drawn up or started to implement a detailed formal plan.

Provisions are discounted only when the impact is material.

E. SEGMENT INFORMATION

In application of IFRS 8, PSA Banque France Group has identified the following three operating segments meeting Basel II guidelines (portfolios):

- retail, mainly corresponding to individuals and to small or medium-sized companies;
- corporate dealers, corresponding to captive and independent Peugeot, Citroën and DS dealers, importers of new Peugeot, Citroën and DS vehicles and certain used vehicle dealers;
- corporate and equivalent, referring to:
  - company belonging to a multi-national group or for which aggregate loans exceed a fixed ceiling (Corporates other than dealers),
  - national governments and government-backed agencies (Sovereigns),
  - banking company or investment firms regulated and supervised by the banking authorities (Banks),
  - local or regional governments and government-backed agencies (Local Administrations).

An analysis of balance sheet and income statement items by segment is provided in the Segment Information note.

F. PENSION OBLIGATIONS

In addition to standard pensions payable under local legislation, PSA Banque France Group employees receive supplementary pension benefits and retirement bonuses (see Note 15). These benefits are paid either under defined contribution or defined benefit plans.

The contributions paid under defined contribution plans are in full discharge of the Group's liability and are recognised as an expense.

In accordance with IAS 19 - Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value. The calculations mainly take into account:

- an assumed retirement date;
- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rates.

Actuarial valuations are performed twice a year at each half year and annual closing for the main plans, and once every three years for the other plans, with more frequent valuations conducted if necessary to take account of changes in actuarial assumptions or significant changes in demographic data.

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recorded in the "Income and expenses recognised directly in equity" statement, and will not be recycled in the income statement.

In the event of modification of the benefits defined in a plan, the impact of changes to pension plans after 1 January 2012 is fully recognised under "Operating income" in the income statement for the period in which they occurred.

As a result, for each defined benefit plan, the Group records a provision in an amount equal to the projected benefit obligation less the fair value of the plan assets.

In the case of plans that are subject to a minimum funding requirement under the law or the plan rules, if the Group does not have an unconditional right to a refund of a surplus within the meaning of IFRIC 14, this affects the asset ceiling. Regardless of whether the plan has a deficit or a surplus, a liability is recognised for the portion of the present value of the minimum funding in respect of services already received that, once paid and after covering the shortfall resulting from applying IAS 19, would generate a surplus in excess of the asset ceiling determined in accordance with IAS 19.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

- the service cost (recognised in "Operating income" in General operating expenses – personnel cost");
- the finance cost less the expected yield on plan assets (recognised in "Non-operating income" in "Pension obligation expense or income"). These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations;
- any adjustment to the IFRIC 14 minimum funding requirement liability (recognised in "Non-operating income in "Pension obligation expense or income").

Other employee benefits covered by provisions concern mainly long-service awards payable by the subsidiaries.

There are no obligations corresponding to the residual debt contracted in France at the Banking Industry Pension Fund (CRPB), the payments received to this date cover the entirety of the benefit plans according to the latest estimations of the experts.

G. SIGNATURE COMMITMENTS

Irrevocable commitments given or received by Group companies (irrevocable customer financing commitments, corresponding to the period between the loan offer and the date when the funds are released, guarantees; other commitments received or given…) are recognised in the balance sheet at fair value in accordance with IFRS 9. As these commitments are made on market terms, they have a zero fair value.

Provisions are taken for impairment of financing or guarantee commitments in accordance with IAS 37. These signature commitments are reported at their nominal amount in Note 19 – Other commitments.

Derivative financial instrument commitments (rate or currency instruments) are described in Note C.1 above and are reported at their nominal amount in Note 23 – Net gains or losses on financial instruments at fair value through profit or loss.

NOTE 3 Cash, central banks

(in million euros)	31/12/2019	31/12/2018
Cash and post office banks	-	-
Central bank*	453	329
of which compulsory reserves deposited with the Banque de France	*33*	*28*
TOTAL	**453**	**329**

* *Apart from compulsory reserves, the supplementary deposits on the Banque de France account correspond to a high-quality liquidity asset type investment in order to comply with the Liquidity Coverage Ratio (LCR).*

NOTE 4 Financial assets at fair value through profit or loss

4.1 ANALYSIS BY NATURE

(in million euros)	31/12/2019	31/12/2018
Fair value of trading derivatives*	**2**	**2**
of which related companies with Santander Consumer Finance Group	-	-
Offsetting positive fair value and received margin calls	**(2)**	**(1)**
Accrued interest on trading derivatives	**-**	**-**
of which related companies with Santander Consumer Finance Group	-	-
Equity securities at fair value through profit or loss	**-**	**-**
TOTAL	**-**	**1**

* *The swaps classified as held for trading are related to securitisation activities. With the exception of intermediation fees, changes in the fair value of these swaps are offset by changes in the fair value of swaps in the opposite direction before offsetting margin calls at CREDIPAR. In fact, the rate of the swap set up in the securitising entity (CREDIPAR) since 2018 includes intermediation costs, whereas this is not the case for the swap set up in the opposite direction in the securitisation vehicle (FCT) (see Notes 9.1 and 23.1).*

2.

4.2 OFFSETTING SWAPS WITH MARGIN CALL DESIGNATED AS TRADING - ASSETS

FOR 2019

Positive valued swaps *(in million euros)*	**Asset gross amount** Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Positive fair value	**1.9**	**-**	**1.9**	**-**	**1.9**
Swaps with margin call	*1.9*	*-*	*1.9*	*-*	*1.9*
Swaps without margin call	*-*			*-*	*-*
Offsetting	**-**	**-**	**-**	**(1.7)**	**(1.7)**
Accrued income	**0.1**	**-**	**0.1**	**-**	**0.1**
Swaps with margin call	*0.1*	*-*	*0.1*	*-*	*0.1*
Swaps without margin call	*-*	*-*	*-*	*-*	*-*
Total assets	**1.9**	**-**	**1.9**	**(1.7)**	**0.2**
Margin calls received on swaps designated as trading (deferred income - see Note 14)	-	-	2,1	(1.7)	0.4
Total liabilities	**-**	**-**	**2,1**	**(1.7)**	**0.4**

FOR 2018

Positive valued swaps *(in million euros)*	**Asset gross amount** Swap's winning leg	Swap's losing leg	**Asset net amount before offsetting**	**Offsetting with received margin calls**	**Balance sheet amount after offsetting**
Positive fair value	**2.1**	**-**	**2.1**	**-**	**2.1**
Swaps with margin call	*2.1*	*-*	*2.1*	*-*	*2.1*
Swaps without margin call	*-*			*-*	*-*
Offsetting	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Accrued income	**0.3**	**(0.2)**	**0.1**	**-**	**0.1**
Swaps with margin call	*0.3*	*(0.2)*	*0.1*	*-*	*0.1*
Swaps without margin call	*-*	*-*	*-*	*-*	*-*
Total assets	**2.4**	**(0.2)**	**2.2**	**(1.1)**	**1.1**
Margin calls received on swaps designated as trading (deferred income - see Note 14)	-	-	1.1	(1.1)	-
Total liabilities	**-**	**-**	**1.1**	**(1.1)**	**-**

NOTE 5 Loans and advances to credit institutions at amortised cost

ANALYSIS OF DEMAND AND TIME ACCOUNTS

(in million euros)	31/12/2019	31/12/2018
Demand accounts	979	668
Ordinary accounts in debit	979	667
of which held by securitisation funds	*170*	*191*
of which pledged for the SRT transaction [1]	*126*	-
Amounts to receive on bank accounts	-	-
Current accounts and overnight loans	-	1
of which related companies with Santander Consumer Finance Group [2]	-	*1*
Time accounts	**-**	**-**
Accrued interest	**-**	**-**
TOTAL	**979**	**668**

(1) For the benefit of the Auto ABS Synthetic French Loans 2019 securitisation mutual fund.

(2) This amount corresponds to the excess cash collateral deposited with clearing member Santander for the clearing of interest rate derivatives since the implementation of the EMIR regulation at the beginning of 2017.

2.

NOTE 6 Customer loans and receivables at amortised cost

6.1 ANALYSIS BY TYPE OF FINANCING

(in million euros)	31/12/2019	31/12/2018
Loans	**2,484**	**2,297**
of which securitised (1)	*1,887*	*1,139*
Leasing with a purchase option (2)	**3,862**	**3,295**
Principal and interest	4,318	3,677
of which securitised (1)	*1,565*	*1,660*
Unaccrued interest on leasing with a purchase option	(456)	(382)
of which securitised (1)	*(153)*	*(172)*
Long-term leases (2)	**2,926**	**2,581**
Principal and interest	3,182	2,799
of which securitised (1)	*1,059*	*1,122*
Unaccrued interest on long-term leases	(256)	(218)
of which securitised (1)	*(102)*	*(113)*
Leasing deposits	-	-
of which securitised (1)	-	-
Trade receivables	**3,352**	**2,723**
Related companies with PSA Group	-	1
Non-group companies	3,352	2,722
of which securitised (1)	*843*	*831*
Other finance receivables (including equipment loans, revolving credit)	**574**	**602**
Ordinary accounts in debit	**141**	**154**
Related companies with PSA Group	2	1
Non-group companies	139	153
Deferred items included in amortised cost - Customers loans and receivables	**185**	**161**
Deferred acquisition costs	285	253
Deferred loan set-up costs	(27)	(26)
Deferred manufacturer and dealer contributions	(72)	(66)
Total Loans and Receivables at Amortised Cost (3)	**13,524**	**11,813**
of which securitised (1)	*5,099*	*4,467*

(1) The PSA Banque France Group has set up several securitisation programmes (see Note 6.4).

(2) The PSA Banque France Group purchases vehicles from Peugeot, Citroën and DS dealers and leases them to end-user customers. Leases are mainly offered for one to five years. The PSA Banque France Group remains holder of the vehicle's papers throughout the rental period. At the end of a lease with a purchase option, the customer has the choice of returning the vehicle or exercising his purchase option. For long-term lease contracts, the dealer or, in certain cases, the manufacturer himself undertakes to buy the vehicle from the PSA Banque France Group when it is returned by the lessee at the end of the contract at a price determined at the time of the establishment of the lease. This recovery value of the vehicle corresponds to the estimated residual value of the vehicle at the end of the rental period. This commitment to take back the vehicle allows the PSA Banque France Group to avoid being exposed to the risk associated with the vehicle's recovery and any change in its value at the end of the lease. The amount that the dealer or manufacturer pays to the PSA Banque France Group is not affected by any fees the customer may incur if the vehicle is not in a satisfactory condition or has exceeded its agreed mileage. On the other hand, PSA Banque France Group will generally bear the risk on the resale value of the vehicle if during the rental period of the vehicle, the customer interrupts the payment of his rents. In fact, the predetermined amount of recovery of the vehicle by the dealer or manufacturer may not be sufficient to compensate for the loss of rents not paid by the customer in the event of an early termination, which the PSA Banque France Group analyses as an integral part of the credit risk on the customer. The long-term lease contracts therefore include a clause to compensate for the damage caused by the early termination of the contract.

Consequently, given the commitments received from the dealers or the manufacturer, on the recovery and the residual values of the vehicles at the end of the contract, and these commitments being considered enforceable although the manufacturer is a related party in the sense of IAS24, PSA Banque France Group considers that it does not bear the risks and advantages related to the value and the ownership of the vehicle. For this reason, lease transactions (lease with purchase option and long-term lease) are considered and accounted for as finance leases and are presented in the accounts as outstanding loans.

(3) All of the Customer Loans and Receivables are denominated in euros.

6.2 CUSTOMER LOANS AND RECEIVABLES BY SEGMENT

			End user					
IFRS 8 Segment	**Corporate Dealers**		**Retail**		**Corporate and equivalent**			
Type of financing	**(A - see B Note 26.1)**		**(B - see A Note 26.1)**		**(C - see C Note 26.1)**		**Total**	
(in million euros)	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**	**31/12/2019**	**31/12/2018**
Loans	12	10	2,470	2,286	2	1	2,484	2,297
Leasing with a purchase option	8	8	3,815	3,249	39	38	3,862	3,295
Long-term leases	241	193	1,761	1,550	924	838	2,926	2,581
Trade Receivables	3,352	2,723	-	-	-	-	3,352	2,723
Other finance receivables	565	588	6	12	3	2	574	602
Ordinary accounts in debit	141	154	-	-	-	-	141	154
Deferred items included in amortised cost	3	1	155	137	27	23	185	161
TOTAL CUSTOMER LOANS BY SEGMENT (BASED ON IFRS 8)	**4,322**	**3,677**	**8,207**	**7,234**	**995**	**902**	**13,524**	**11,813**

6.3 ANALYSIS BY MATURITY

FOR 2019

(in million euros)	**Not broken down**	**0 to 3 months**	**3 months to 6 months**	**6 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Total at 31/12/2019**
Loans	**10**	**179**	**180**	**348**	**1,748**	**19**	**2,484**
Gross	61	179	180	348	1,748	19	2,535
Total impairment	(51)	-	-	-	-	-	(51)
Leasing with a purchase option	**20**	**257**	**259**	**539**	**2,787**	**-**	**3,862**
Gross	61	257	259	539	2,787	-	3,903
Total impairment	(41)	-	-	-	-	-	(41)
Long-term leases	**36**	**395**	**303**	**543**	**1,648**	**1**	**2,926**
Gross	74	395	303	543	1,648	1	2,964
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(38)	-	-	-	-	-	(38)
Trade receivables	**37**	**2,622**	**470**	**222**	**1**	**-**	**3,352**
Gross	41	2,622	470	222	1	-	3,356
Guarantee deposits							-
Total impairment	(4)	-	-	-	-	-	(4)
Other finance receivables	**56**	**164**	**17**	**211**	**107**	**19**	**574**
Gross	100	164	17	211	107	19	618
Total impairment	(44)	-	-	-	-	-	(44)
Ordinary accounts in debit	**141**	**-**	**-**	**-**	**-**	**-**	**141**
Gross	142	-	-	-	-	-	142
Total impairment	(1)	-	-	-	-	-	(1)
Deferred items included in amortised cost	**185**	**-**	**-**	**-**	**-**	**-**	**185**
TOTAL NET LOANS AND RECEIVABLES	**485**	**3,617**	**1,229**	**1,863**	**6,291**	**39**	**13,524**
Gross	479	3,617	1,229	1,863	6,291	39	13,517
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(179)	-	-	-	-	-	(179)
Deferred items included in amortised cost	185	-	-	-	-	-	185

FOR 2018

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total at 31/12/2018
Loans	**12**	**169**	**168**	**322**	**1 611**	**15**	**2,297**
Gross	55	169	168	322	1 611	15	2,340
Total impairment	(43)	-	-	-	-	-	(43)
Leasing with a purchase option	**12**	**204**	**202**	**450**	**2,427**	**-**	**3,295**
Gross	49	204	202	450	2,427	-	3,332
Total impairment	(37)	-	-	-	-	-	(37)
Long-term leases	**25**	**414**	**279**	**479**	**1,383**	**1**	**2,581**
Gross	57	414	279	479	1,383	1	2,613
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(32)	-	-	-	-	-	(32)
Trade receivables	**34**	**2,137**	**364**	**186**	**2**	**-**	**2,723**
Gross	38	2,137	364	186	2	-	2,727
Guarantee deposits							-
Total impairment	(4)	-	-	-	-	-	(4)
Other finance receivables	**33**	**166**	**34**	**208**	**133**	**28**	**602**
Gross	75	166	34	208	133	28	644
Total impairment	(42)	-	-	-	-	-	(42)
Ordinary accounts in debit	**154**	**-**	**-**	**-**	**-**	**-**	**154**
Gross	156	-	-	-	-	-	156
Total impairment	(2)	-	-	-	-	-	(2)
Deferred items included in amortised cost	**161**	**-**	**-**	**-**	**-**	**-**	**161**
TOTAL NET LOANS AND RECEIVABLES	**431**	**3,090**	**1,047**	**1,645**	**5,556**	**44**	**11,813**
Gross	430	3,090	1,047	1,645	5,556	44	11,812
Guarantee deposits	-	-	-	-	-	-	-
Total impairment	(160)	-	-	-	-	-	(160)
Deferred items included in amortised cost	161	-	-	-	-	-	161

6.4 REFINANCING PROGRAMMES BY SECURITISATION

			Sold net receivables	
Fund	**Closing, ie first date of sale**	**Type of Financing**	**At 31/12/2019**	**At 31/12/2018**
FCT Auto ABS French Loans Master	13/12/2012 (2)	Loans	1,887	1,139
FCT Auto ABS DFP Master - Compartment France 2013	03/05/2013 (2)	Trade receivables	843	831
FCT Auto ABS French Leases Master - Compartment 2016	28/07/2016 (2)	Leasing with a purchase option (1)	910	904
FCT Auto ABS French LT Leases Master	27/07/2017 (2)	Long-term leases (3)	957	1,009
FCT Auto ABS French Leases 2018	23/11/2018	Leases with a purchase option (1)	502	584
TOTAL			**5,099**	**4,467**

(1) Sold receivables correspond to future lease payments and sales receivables of the vehicle or purchase option (leases with a purchase option or finance leases).

(2) The monthly issuances of these funds enable the adjustment of the liabilities of the fund towards the portfolio to be refinanced (portfolio that can increase or decrease) up to the maximum programme size.

(3) Sold receivables correspond to future long-term lease revenues and residual value.

When CREDIPAR is refinanced through securitisation, CREDIPAR uses Special Purpose Vehicles (SPV) to which it assigns its receivables. The funds are special purpose entities that are fully consolidated by the PSA Banque France Group as its CREDIPAR subsidiary retains the majority of the risks (mainly credit risk) and rewards (net banking revenue) generated by the special entities.

The credit enhancement techniques used by the PSA Banque France Group as part of its securitisation transactions retain on its books the financial risks inherent in these transactions. The Group also finances all liquidity reserves which enable it to manage specific risks. Lastly, the Group remains the exclusive beneficiary of the benefits which derive from these transactions, particularly where the remuneration received as counterparty for the placing of the senior tranches on the majority of the transactions is concerned.

NOTE 7 Accruals and other assets

(in million euros)	31/12/2019	31/12/2018
Other receivables	**163**	**146**
of which related companies with PSA Group	*115*	*102*
Prepaid and recoverable taxes	**67**	**65**
Accrued income	**11**	**7**
of which related companies with PSA Group	*9*	*6*
Prepaid expenses	**5**	**4**
*of which margin calls paid on swaps**	*-*	*-*
of which related companies with Santander Consumer Finance Group	*5*	*4*
of which non-group companies	*(5)*	*(4)*
Other	**131**	**107**
of which related companies with Santander Consumer Finance Group	*6*	*11*
TOTAL	**377**	**329**

* *At 31 December 2019, margin calls paid on swaps were offset with the negative fair value for an amount of €4.9 million, compared to €3.2 million at 31 December 2018 (see Notes 9.2 & 10.2).*

NOTE 8 Property and equipment and intangible assets

	31/12/2019			31/12/2018		
(in million euros)	Cost	Depreciation/ amortisation	Net	Cost	Depreciation/ amortisation	Net
Property and equipment	**25**	**(7)**	**18**	**13**	**(4)**	**9**
Land and buildings - Right of Use*	12	(2)	10	-	-	-
Vehicles	6	(2)	4	6	(2)	4
Other	7	(3)	4	7	(2)	5
Intangible assets	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**25**	**(7)**	**18**	**13**	**(4)**	**9**

* *In accordance with IFRS 16, property and equipment include rights of use (leases) with a gross value of €12.5 million and a corresponding depreciation/amortisation of -€1.8 million as of 31 December 2019.*

CHANGES IN GROSS VALUES

(in million euros)	31/12/2018	Additions	Disposals	31/12/2019
Property and equipment	**13**	**15**	**(3)**	**25**
Land and buildings - Right of Use*	-	12	-	12
Vehicles	6	3	(3)	6
Other	7	-	-	7
Intangible assets	**-**	**-**	**-**	**-**
TOTAL	**13**	**15**	**(3)**	**25**

CHANGES IN AMORTISATION

(in million euros)	31/12/2018	Charges	Reversals	Other movements	31/12/2019
Property and equipment	**(4)**	**(5)**	**2**	**-**	**(7)**
Land and buildings - Right of Use*	-	(2)	-	-	(2)
Vehicles	(2)	(2)	2	-	(2)
Other	(2)	(1)	-	-	(3)
Intangible assets	**-**	**-**	**-**	**-**	**-**
TOTAL	**(4)**	**(5)**	**2**	**-**	**(7)**

* *In accordance with IFRS 16, property and equipment include rights of use (leases) with a gross value of €12.5 million and a corresponding depreciation/amortisation of -€1.8 million as of 31 December 2019.*

NOTE 9 Financial liabilities at fair value through profit or loss

9.1 Analysis by Nature

(in million euros)	31/12/2019	31/12/2018
Fair value of trading derivatives	**2**	**3**
of which related companies with Santander Consumer Finance Group	-	-
Offsetting negative fair value and paid margin calls	**-**	**-**
Accrued expense on trading derivatives	**-**	**-**
of which related companies with Santander Consumer Finance Group	-	-
TOTAL	**2**	**3**

The swaps classified as held for trading are related to securitisation activities. With the exception of intermediation fees, changes in the fair value of these swaps are offset by changes in the fair value of swaps in the opposite direction before offsetting margin calls at CREDIPAR. In fact, the rate of the swap set up in the securitising entity (CREDIPAR) since 2018 includes intermediation costs, whereas this is not the case for the swap set up in the opposite direction in the securitisation vehicle (FCT) (see Notes 4.1 and 23.1).

9.2 Offsetting Swaps with Margin Call Designated as Trading - Liabilities

FOR 2019

Negative valued swaps *(in million euros)*	**Liability gross amount** Swap's winning leg	**Liability gross amount** Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**-**	**2.2**	**2.2**	**-**	**2.2**
Swaps with margin call	-		-	-	-
Swaps without margin call	-	2.2	2.2	-	2.2
Offsetting	**-**	**-**	**-**	**-**	**-**
Accrued expense	**-**	**0.1**	**0.1**	**-**	**0.1**
Swaps with margin call	-	0.1	0.1	-	0.1
Swaps without margin call			-	-	-
Total liabilities	**-**	**2.3**	**2.3**	**-**	**2.3**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 7)	-	-			-
Total assets	**-**	**-**	**-**	**-**	**-**

FOR 2018

Negative valued *(in million euros)*	**Liability gross amount** Swap's winning leg	**Liability gross amount** Swap's losing leg	**Liability net amount before offsetting**	**Offsetting with paid margin calls**	**Balance sheet amount after offsetting**
Negative fair value	**-**	**2.8**	**2.8**	**-**	**2.8**
Swaps with margin call	-		-	-	-
Swaps without margin call	-	2.8	2.8	-	2.8
Offsetting	**-**	**-**	**-**	**-**	**-**
Accrued expense	**(0.2)**	**0.3**	**0.1**	**-**	**0.1**
Swaps with margin call	-	-	-	-	-
Swaps without margin call	(0.2)	0.3	0.1	-	0.1
Total liabilities	**(0.2)**	**3.1**	**2.9**	**-**	**2.9**
Margin calls paid on swaps designated as trading (prepaid expenses - see Note 7)	-	-			-
Total assets	**-**	**-**	**-**	**-**	**-**

NOTE 10 Hedging instruments - Liabilities

10.1 ANALYSIS BY NATURE

(in million euros)	31/12/2019	31/12/2018
Negative fair value of instruments designated as hedges of:	**5**	**3**
Borrowings	-	-
EMTNs/NEU MTNs	-	-
Bonds	-	-
NEU CP - Other debts securities	-	-
Customer loans (Loans, Leasing with a purchase option and Long-term leases)	5	3
of which related companies with Santander Consumer Finance Group	-	-
Offsetting negative fair value and paid margin calls (see Note 10.2)	**(5)**	**(3)**
Accrued expenses on swaps designated as hedges	**-**	**-**
of which related companies with Santander Consumer Finance Group	-	-
TOTAL	**-**	**-**

Fair value is determined by applying valuation techniques based on observable market data (level 2).

Fair Value Hedge effectiveness is analysed in Note 23.

10.2 OFFSETTING SWAPS WITH MARGIN CALL DESIGNATED AS HEDGES - LIABILITIES

FOR 2019

Negative valued swaps *(in million euros)*	Liability gross amount: Swap's winning leg	Liability gross amount: Swap's losing leg	Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
Negative fair value	**(1.9)**	**6.5**	**4.6**	**-**	**4.6**
Swaps with margin call	(1.9)	6.5	4.6	-	4.6
Swaps without margin call	-	-	-	-	-
Offsetting	**-**	**-**	**-**	**(4.9)**	**(4.9)**
Accrued expense	**(0.1)**	**0.5**	**0.3**	**-**	**0.3**
Swaps with margin call	(0.1)	0.5	0.3	-	0.3
Swaps without margin call	-	-	-	-	-
Total liabilities	**(2.0)**	**6.9**	**4.9**	**(4.9)**	**-**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 7)	-	-	5,0	(4.9)	0,1
Total assets	**-**	**-**	**5.0**	**(4.9)**	**0,1**

FOR 2018

Negative valued swaps *(in million euros)*	Liability gross amount		Liability net amount before offsetting	Offsetting with paid margin calls	Balance sheet amount after offsetting
	Swap's winning leg	Swap's losing leg			
Negative fair value	**(4.8)**	**7.7**	**2.9**	**-**	**2.9**
Swaps with margin call	(4.8)	7.7	2.9	-	2.9
Swaps without margin call	-	-	-	-	-
Offsetting	**-**	**-**	**-**	**(3.2)**	**(3.2)**
Accrued expense	**(0.3)**	**0.7**	**0.3**	**-**	**0.3**
Swaps with margin call	(0.3)	0.7	0.3	-	0.3
Swaps without margin call	-	-	-	-	-
Total liabilities	**(5.1)**	**8.4**	**3.2**	**(3.2)**	**-**
Margin calls paid on swaps designated as hedges (prepaid expenses - see Note 7)	-	-	3.6	(3.2)	0.4
Total assets	**-**	**-**	**3.6**	**(3.2)**	**0.4**

NOTE 11 Deposits from credit institutions

ANALYSIS OF DEMAND AND TIME ACCOUNTS

(in million euros)	31/12/2019	31/12/2018
Demand deposits	**9**	**226**
Ordinary accounts in credit	7	13
of which related companies with PSA Group	-	-
Accounts and deposits at overnight rates	-	212
of which related companies with Santander Consumer Finance Group	-	*212*
Other amounts due to credit institutions	2	1
Accrued interest	**-**	**-**
Time deposits (non-group institutions)	**3,740**	**3,546**
Conventional bank deposits	2,440	2,775
of which related companies with Santander Consumer Finance Group	*1,890*	*2,225*
Deposits from the ECB (see Note 19)	1,300	771
Deferred items included in amortised cost of deposits from credit institutions	**-**	**(1)**
Debt issuing costs (deferred charges)	-	(1)
Accrued interest	**(11)**	**(7)**
of which related companies with Santander Consumer Finance Group	-	*1*
TOTAL DEPOSITS FROM CREDIT INSTITUTIONS AT AMORTISED COST*	**3,738**	**3,764**

* *Total debt is denominated in euros.*

NOTE 12 Due to customers

(in million euros)	31/12/2019	31/12/2018
Demand accounts	**2,435**	**2,151**
Ordinary accounts in credit	222	199
Related companies with PSA Group	110	102
Non-group companies	112	98
Passbook savings accounts	2,155	1,897
Other amounts due to customers	58	55
Related companies with PSA Group	-	-
Non-group companies	58	55
Accrued interest	**15**	**14**
of which passbook savings accounts	*15*	*14*
Time deposits	**420**	**348**
Term deposit accounts	408	336
Other	12	12
Related companies	-	-
Non-group companies	12	12
Accrued interest	**6**	**5**
of which time deposits	*6*	*5*
TOTAL*	**2,877**	**2,518**

* *Total debt is denominated in euros.*

In the segment information, "Customer ordinary accounts in credit", "Passbook savings accounts" and "Term deposit accounts" are classified in "Refinancing" (see Note 28.1).

NOTE 13 Debt securities

13.1 ANALYSIS BY NATURE

(in million euros)	31/12/2019	31/12/2018
Interbank instruments and money-market securities (non-group institutions)	**3,748**	**2,267**
EMTNs and NEU MTNs (1)	2,833	1,696
of which paper in the process of being delivered	*10*	-
NEU CP	915	571
of which paper in the process of being delivered	-	-
Securities issued by securitisation funds (see Note 13.3)	**2,225**	**2,310**
Accrued interest	**9**	**6**
Securitisation	-	-
Deferred items included in amortised cost of debt securities	**(11)**	**(9)**
Debt issuing costs and premiums (deferred charges)	(11)	(9)
TOTAL DEBT SECURITIES AT AMORTISED COST (2)	**5,971**	**4,574**

(1) In 2019, the PSA Banque France Group made two bond issues (EMTN) for €500 million each in April (4th EMTN) then in June (5th EMTN).
(2) Total debt is denominated in euros.

13.2 ANALYSIS BY MATURITY OF DEBT SECURITIES (EXCLUDING ACCRUED INTEREST)

	31/12/2019			31/12/2018		
(in million euros)	**Securitisations**	**Money-market securities**	**Other**	**Securitisations**	**Money-market securities**	**Other**
0 to 3 months	29	595	-	-	177	-
3 to 6 months	630	484	-	16	93	-
6 months to 1 year	234	520	-	900	301	-
1 to 5 years	1,332	2,149	-	1,394	1,696	-
Over 5 years	-	-	-	-	-	-
TOTAL	**2,225**	**3,748**	**-**	**2,310**	**2,267**	**-**

13.3 SECURITISATION PROGRAMMES

SECURITIES ISSUED BY SECURITISATION FUNDS

(in million euros)			Issued bonds		
Fund	**Bonds**	**Rating** [1]	**At 31/12/2019**	**At 31/12/2018**	**at the origin**
FCT Auto ABS French Loans Master		*Fitch/Moody's*			
	Class A	AA/Aa2	1,804	1,055	N/A
	Class B	-	155	128	N/A
FCT Auto ABS DFP Master - Compartment France 2013		*Not Rated*			
	Class A	-	600	600	N/A
	Class B	-	272	259	N/A
FCT Auto ABS French Leases Master - Compartment 2016		*Not Rated*			
	Class A	-	600	600	N/A
	Class B	-	343	340	N/A
FCT Auto ABS French LT Leases Master		*Not Rated*			
	Class A	-	600	600	N/A
	Class B	-	393	442	N/A
FCT Auto ABS French Leases 2018		*Moody's/DBRS*			
	Class A	Aaa/AAA	365	450	N/A
	Class B	A1/A (high)	60	60	N/A
	Class C	*Not Rated*	90	90	N/A
Elimination of intragroup transactions [2]			(3,057)	(2,314)	
TOTAL			**2,225**	**2,310**	

(1) Rating obtained at closing or at last restructuring date of the transaction.

(2) CREDIPAR purchases subordinated securities and can also purchase senior securities, in order to use them as collateral at the European Central Bank.

2.

NOTE 14 Accruals and other liabilities

(in million euros)	31/12/2019	31/12/2018
Trade payables	**298**	**182**
Related companies	248	145
of which related companies with PSA Group	*248*	*145*
of which related companies with Santander Consumer Finance Group	-	-
Non-group companies	50	37
Financial debt [(1)]	**10**	**-**
Non-group companies	10	-
Accrued payroll and other taxes	**41**	**37**
Accrued charges	**201**	**181**
Related companies	25	24
of which related companies with PSA Group	*21*	*20*
of which related companies with Santander Consumer Finance Group	*4*	*4*
Non-group companies	176	157
Other payables	**156**	**28**
Related companies	16	15
of which related companies with PSA Group	*16*	*15*
Non-group companies	140	13
Deferred income	**18**	**15**
of which margin calls received on swaps [(2)]	-	-
Related companies	7	8
of which related companies with PSA Group	*7*	*8*
of which related companies with Santander Consumer Finance Group	-	-
Non-group companies	11	7
Other	**52**	**30**
Non-group companies	52	30
TOTAL	**776**	**473**

(1) Impact following the application of IFRS16 at 1 January 2019, recognised as well in property and equipment on the asset side of the balance sheet.

(2) At 31 December 2019, margin calls paid on swaps were offset with the positive fair value for an amount of €1.7 million, compared to €1.1 million at 31 December 2018 (see Note 4.2).

NOTE 15 Provisions

(in million euros)	31/12/2018	Charges	Reversals Utilised	Reversals Unutilised	Equity	Reclassifications and other	31/12/2019
Provisions for pensions and other post-retirement benefits	12	1	-	-	1	-	13
Provisions for doubtful commitments:							
Corporate dealers	1	2	-	-	-	-	3
Corporate and equivalent	2	1	-	-	-	-	3
Provisions for commercial and tax disputes	1	-	-	-	-	-	1
Other provisions	5	-	(2)	-	-	-	3
TOTAL	**21**	**4**	**(2)**	**-**	**1**	**-**	**23**

15.1 PENSION OBLIGATIONS

Residual commitments of the Banking Industry Pension Fund plan

The provision for the residual commitments of the Banking Industry Pension Fund plan is constituted, if necessary, based on the probable current value of annual payments intended to supplement the resources necessary to the payment of pensions by AGIRC and ARRCO. There is no longer any provision for this commitment as payments made to date cover all acquired rights.

Commitments for retirement benefits and supplementary pensions specific to the Group

As well as the pensions that comply with current legislation, employees of the PSA Banque France Group receive supplementary pensions and retirement benefits when they retire. The Company offers these benefits through either a defined contribution plan or a defined benefit plan.

Under the defined contribution plan, the Company has no obligation other than the payment of contributions; the charge that corresponds to contributions paid is included in the profit/loss of the financial year.

Concerning the supplementary pensions paid to personnel who have left the Group, the insurance company has received the necessary funds and is responsible for paying the annuities. The supplementary pension rights acquired for personnel in employment are fully covered by the funds paid to the insurance company.

For the defined benefits plans, the pension and equivalent commitments are evaluated by independent actuaries, according to the projected credit unit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. This final obligation is then discounted to present value. The calculations mainly take into account:

- an assumed retirement date;
- a discount rate;
- an inflation rate;
- assumptions concerning future salary levels and staff turnover rat.

It concerns retirement benefits, for which the acquired rights are fully covered.

These evaluations are performed every year. Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These differences are shown in profit/loss on the year of their recognition.

External funds are called on to cover all pension commitments. Hence, in the event that financial assets exceed recorded commitments, a prepaid expense is recorded as an asset in the balance sheet.

15.2 LONG-SERVICE AWARDS

Long-service award commitments

The latent debt covering future charges for long service awards is fully covered by a provision.

NOTE 16 Subordinated debt

(in million euros)	**31/12/2019**	**31/12/2018**
Subordinated debt	155	155
of which related companies with PSA Group	*77.5*	*77.5*
of which related companies with Santander Consumer Finance Group	*77.5*	*77.5*
Accrued interest	-	-
of which related companies with PSA Group	-	-
of which related companies with Santander Consumer Finance Group	-	-
TOTAL	**155**	**155**

16.1 CHANGES IN SUBORDINATED DEBTS

		Cash flows			
(in million euros)	**Opening**	**Inflows**	**Outflows**	**Through Profit or Loss**	**31/12/2019**
Subordinated debt	155	-	-	-	155
Accrued Interest	-	-	(2)	2	-
TOTAL	**155**	**-**	**(2)**	**2**	**155**

		Cash flows			
(in million euros)	**Opening**	**Inflows**	**Outflows**	**Through Profit or Loss**	**31/12/2018**
Subordinated debt	-	155	-	-	155
Accrued Interest	-	-	(3)	3	-
TOTAL	**-**	**155**	**-**	**-**	**155**

NOTE 17 Analysis by maturity and liquidity risks

Liquidity risk management is described in the "Liquidity and funding risk" section of the Management Report.

The following liquidity risk presentation is based on a detailed breakdown of assets and liabilities analysed by maturity. As a consequence, future interest cash flows are not included in instalments.

Derivative instruments designated as hedges of future contractual interest payments are not analysed by maturity.

Items are broken down according to maturity dates. The following principles were adopted:

- non-performing loans and accrued interest are reported in the "not broken down" column;
- overnight loans and borrowings are reported in the "0 to 3 months" column.

Equity, which has no fixed maturity, is considered repayable beyond five years, except for dividends which are paid in the first half of the year of the following annual closing. The fifth resolution adopted by the General Meeting on 19 March 2020 foresees €120 million in dividend payments.

FOR 2019

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	31/12/2019
Assets							
Cash, central banks, post office banks	-	453	-	-	-	-	453
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Hedging instruments	-	-	-	-	-	-	-
Loans and advances to credit institutions	-	979	-	-	-	-	979
Customer loans and receivables	485	3,617	1,229	1,863	6,291	39	13,524
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	-	-	-	-	-	-	-
Other assets	406	-	-	-	-	-	405
TOTAL ASSETS	**891**	**5,049**	**1,229**	**1,863**	**6,291**	**39**	**15,362**
Equity and liabilities							
Central banks, post office banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	2	-	-	-	-	-	2
Hedging instruments	-	-	-	-	-	-	-
Deposits from credit institutions	1	157	861	865	1,854	-	3,738
Due to customers	21	2,478	58	85	235	-	2,877
Debt securities	(2)	623	1,114	755	3,481	-	5,971
Fair value adjustments to debt portfolios hedged against interest rate risks	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	155	155
Other liabilities	1,176	-	-	-	-	-	1,176
Equity	-	-	120	-	-	1,323	1,443
TOTAL EQUITY AND LIABILITIES	**1,198**	**3,258**	**2,153**	**1,705**	**5,570**	**1,478**	**15,362**

FOR 2018

(in million euros)	Not broken down	0 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	31/12/2018
Assets							
Cash, central banks, post office banks	-	329	-	-	-	-	329
Financial assets at fair value through profit or loss	1	-	-	-	-	-	1
Hedging instruments	-	-	-	-	-	-	-
Loans and advances to credit institutions		668	-	-	-	-	668
Customer loans and receivables	431	3,090	1,047	1,645	5,556	44	11,813
Fair value adjustments to finance receivables portfolios hedged against interest rate risks	1	-	-	-	-	-	1
Other assets	341	-	-	-	-	-	341
TOTAL ASSETS	**774**	**4,087**	**1,047**	**1,645**	**5,556**	**44**	**13,153**
Equity and liabilities							
Central banks, post office banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3	-	-	-	-	-	3
Hedging instruments	-	-	-	-	-	-	-
Deposits from credit institutions	(7)	649	562	500	2,060	-	3,764
Due to customers	18	2,194	44	48	214	-	2,518
Debt securities	(3)	177	109	1,201	3,090	-	4,574
Fair value adjustments to debt portfolios hedged against interest rate risks	-	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	155	155
Other liabilities	834	-	-	-	-	-	834
Equity	-	-	116	-	-	1,189	1,305
TOTAL EQUITY AND LIABILITIES	**845**	**3,020**	**831**	**1,749**	**5,364**	**1,344**	**13,153**

Covenants

The loan agreements signed by the PSA Banque France Group, including in some cases issues of debt securities, contain the customary acceleration clauses requiring the Group to give certain covenants to lenders. They include:

- negative pledge clauses whereby the borrower undertakes not to grant collateral to any third parties. These clauses nevertheless comprise exceptions allowing the Group to carry out securitisation programmes or to give assets as collateral;
- material adverse change clauses in the case of a significant negative change in the economic and financial conditions;
- pari passu clauses which ensure that lenders enjoy at least the same treatment as the borrower's other creditors;
- cross default clauses whereby if one loan goes into default, all other loans from the same lender automatically become repayable immediately;
- periodic reporting requirements;
- clauses whereby the borrower undertakes to comply with the applicable legislation;
- no change of control meaning that Banque PSA Finance and Santander Consumer Finance no longer each hold 50% of the shares of PSA Banque France, directly or indirectly.

Furthermore, agreements include three specific acceleration clauses requiring:

- a change of shareholding meaning that Banque PSA Finance and Santander Consumer Finance no longer each hold 50% of the shares of PSA Banque France, directly or indirectly;
- the loss by the PSA Banque France Group of its status as a bank;
- non-compliance with the regulatory level for the Common Equity Tier One ratio.

NOTE 18 Fair value of financial assets and liabilities

	Fair value		Book value		Difference	
(in million euros)	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Assets						
Cash, central banks	453	329	453	329	-	-
Financial assets at fair value through profit or loss [(1)]	-	1	-	1	-	-
Hedging instruments [(1)]	-	-	-	-	-	-
Loans and advances to credit institutions at amortised cost [(2)]	979	668	979	668	-	-
Customer loans and receivables at amortised cost [(3)]	13,572	11,857	13,524	11,814	48	43
Equity and liabilities						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss [(1)]	2	3	2	3	-	-
Hedging instruments [(1)]	-	-	-	-	-	-
Deposits from credit institutions [(4)]	3,735	3,741	3,738	3,764	3	23
Debt securities [(4)]	5,996	4,549	5,971	4,574	(25)	25
Due to customers [(2)]	2,877	2,518	2,877	2,518	-	-
Subordinated debt [(4)]	150	128	155	155	5	27

(1) The fair values of financial assets at fair value through profit or loss and hedging instruments are measured based on Euribor or other interbank market rates and on the daily exchange rates set by the European Central Bank.

(2) The fair value of loans and advances to credit institutions and of customer loans and receivables, mainly short-term operations at adjustable rate, are accordingly close to their amortised cost.

In accordance with IFRS 13, the calculation of the fair value is presented below:
- *for customer loans and receivables see footnote (4);*
- *for debts see footnote (5).*

(3) Customer loans and receivables are stated at amortised cost. If necessary, they are hedged against interest rate risks (fair value hedge) in order to frame interest rate risks positions within the sensitivity limits defined by the PSA Banque France Group. They are therefore remeasured at the hedging rate (swap rate), in accordance with hedge accounting principles. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortised cost.

The fair value presented above has been estimated by discounting future cash flows at the average customer rate of the three last months. In this case, the fair value is determined by applying valuation making significant use of at least one non-observable item of data (level 3).

(4) Financing liabilities are stated at amortised cost. Hedge accounting is applied to liabilities hedged by interest rate swaps (fair value hedge), leading to their remeasurement at the discounted financing cost. Cumulative gains and losses arising from remeasurement are added to or deducted from their amortised cost.

The fair value presented above corresponds mainly to the change in the spread (premium over the risk-free rate) paid by the PSA Banque France Group on its financial market borrowings. It is determined according to two following cases:
- *for debt securities, by applying valuation based on available market quotations (level 1);*
- *for debt to credit institutions and subordinated debt, by applying valuation based on information collected from our financial partners. In this case, the fair value is determined based on valuation techniques using observable market data (level 2).*

The balance sheet value is kept for all the lines except for customer loans and receivables and debts.

NOTE 19 Other commitments

(in million euros)	31/12/2019	31/12/2018
Financing commitments		
Commitments received from credit institutions	-	-
Commitments given to credit institutions	-	-
Commitments given to customers (1)	677	533
Guarantee commitments		
Commitments received from credit institutions(2)	305	132
guarantees received in respect of customer loans	305	132
guarantees received in respect of securities held	-	-
other guarantees received from credit institutions	-	-
Guarantees given to credit institutions	-	-
Commitments given to customers	6	3
of which related companies with PSA Group	-	-
Other commitments received		
Securities received as collateral	-	-
Others (3)	126	-
Other commitments given		
Assets given as collateral for own account, remains available (4)	942	820
to the European Central Bank	942	820

(1) Commitments on preliminary credit offers made to customers are taken into account. Approved wholesale lines of credit that can be cancelled at any time are not taken into account, except for specific contracts.

(2) Since May 2019, Santander Guarantees of €132 million are replaced by COFACE Guarantees of €118 million and CHUBB guarantees for €187 million.

(3) Financial guarantee received in respect of the SRT transaction.

(4) This is the remaining amount of collateral available at the ECB. CREDIPAR has remitted €1,713 million as ABS securities and €696 million as credit claims on its collateral account, that Banque de France has evaluated for a total amount of €2,135 million.
The PSA Banque France Group has drawn €1,300 million of financing (see Note 11), therefore €942 million remain available, given a non-used authorised financing of €835 million after haircut.

The PSA Banque France Group does not record the guarantees received from customers and does not include them in the calculation of credit risk exposure.

NOTE 20 Interest and similar income

(in million euros)	31/12/2019	31/12/2018
On financial assets at amortised cost	**475**	**418**
Customer transactions	**470**	**409**
Loans	**152**	**149**
of which related companies with PSA Group	-	*1*
of which securitised	*78*	*71*
Leasing with a purchase option	**268**	**221**
of which related companies with PSA Group	*40*	*32*
of which securitised	*93*	*66*
Long-term leases	**174**	**162**
of which related companies with PSA Group	-	-
of which securitised	*67*	*70*
Trade receivables	**60**	**46**
of which related companies with PSA Group	*42*	*35*
Other finance receivables (including equipment loans, revolving credit)	**10**	**11**
of which related companies with PSA Group	-	-
Ordinary accounts	**-**	**-**
Guarantee commitments	**-**	**-**
Commissions paid to referral agents	**(188)**	**(167)**
Loans	(73)	(31)
Leasing with a purchase option / Long-term leases	(115)	(136)
Other financing	-	-
of which related companies with PSA Group	*(32)*	*(35)*
Other business acquisition costs	**(6)**	**(13)**
Interbank transactions*	**5**	**8**
Debt securities	**-**	**1**
On financial assets recognised at fair value through other comprehensive income	**-**	**-**
Accrued interest receivable on hedging instruments	**-**	**-**
Other interest income	**-**	**-**
TOTAL	**475**	**418**

* *Corresponds to interest income on TLTRO operations. The interest rate retained for targeted longer-term refinancing operations (TLTRO II) driven by the ECB takes into account the confirmation received in 2018 of the negative interest rate of -0.40% (Deposit facility rate). Indeed, the increase of the loans granted to individuals and non financial companies by PSA Banque France during the reference period (January 2016 to January 2018) has been higher than the 2.5% required. For TLTRO-III, the -0.50% rate was used.*

NOTE 21 Interest and similar expenses

21.1 ANALYSIS BY NATURE

(in million euros)	Notes	31/12/2019	31/12/2018
On financial liabilities at amortised cost		**(70)**	**(54)**
Customer transactions		**(35)**	**(25)**
Loans		-	-
Leasing with a purchase option		-	-
Long-term leases		-	-
Trade receivables		(6)	-
Other finance receivables (including equipment loans, revolving credit)		-	-
Ordinary accounts		-	-
Savings accounts	21.2	(26)	(24)
Expenses related to financing commitments received		(3)	(1)
Interbank transactions	21.3	**(12)**	**(11)**
Debt securities	21.4	**(23)**	**(18)**
Accrued interest receivable on hedging instruments	21.5	**(4)**	**(3)**
Other interest expenses		**(4)**	**(2)**
TOTAL		**(78)**	**(59)**

21.2 INTEREST ON SAVINGS ACCOUNTS

(in million euros)	31/12/2019	31/12/2018
Interest on savings accounts	(26)	(24)
on passbook savings accounts	(21)	(19)
on term deposits	(5)	(5)
TOTAL	**(26)**	**(24)**

21.3 INTEREST ON DEPOSITS FROM CREDIT INSTITUTIONS

(in million euros)	31/12/2019	31/12/2018
Interest on treasury and interbank transactions	(7)	(8)
of which related companies with PSA Group	-	-
of which related companies with Santander Consumer Finance Group	*(4)*	*(5)*
Interest expenses of assets	(1)	(1)
Interest expenses comparable to debt issuing costs	(4)	(2)
TOTAL	**(12)**	**(11)**

21.4 INTEREST ON DEBT SECURITIES

(in million euros)	31/12/2019	31/12/2018
Interest expenses on debt securities	(18)	(13)
of which securitisation: placed bonds	*(5)*	*(5)*
Interest on subordinated debts	(2)	(3)
Interest expenses comparable to debt issuing costs	(3)	(2)
TOTAL	**(23)**	**(18)**

21.5 INTEREST ON HEDGING INSTRUMENTS

(in million euros)	31/12/2019	31/12/2018
Swaps hedging (Fair Value Hedge)	(4)	(3)
of which related companies with PSA Group	-	
of which related companies with Santander Consumer Finance Group	-	-
TOTAL	**(4)**	**(3)**

NOTE 22 Fees and commissions

(in million euros)	31/12/2019	31/12/2018
Income	**139**	**129**
Incidental commissions from finance contracts	15	15
Commissions on sales of service activities	124	114
Other	-	-
Expenses	**(4)**	**(4)**
Commissions on sales of service activities	(4)	(4)
Other	-	-
TOTAL	**135**	**125**

NOTE 23 Net gains or losses on financial instruments at fair value through profit or loss

23.1 ANALYSIS BY NATURE

(in million euros)	Notes	31/12/2019	31/12/2018
Dividends and net income on equity investments		-	-
Interest and dividends on marketable securities designated at fair value through profit or loss		-	-
Gains / losses on sales of marketable securities		-	-
Gains / losses on derivatives classified in trading securities*		-	(1)
Gains / losses from hedge accounting	23.2	**(2)**	**2**
Fair value hedges: change in value of hedging instruments of customer loans		(2)	(2)
Fair value hedges: change in value of hedged customer loans		-	4
Fair value hedges: change in value of hedging instruments of debt		-	-
Fair value hedges : change in value of hedged debt		-	-
TOTAL		**(2)**	**1**

* *The swaps classified as held for trading are related to securitisation activities. With the exception of intermediation fees, changes in the fair value of these swaps are offset by changes in the fair value of swaps in the opposite direction before offsetting margin calls at CREDIPAR. In fact, the rate of the swap set up in the securitising entity (CREDIPAR) since 2018 includes intermediation costs, whereas this is not the case for the swap set up in the opposite direction in the securitisation vehicle (FCT) (see Notes 4.1 and 9.1).*

23.2 GAINS AND LOSSES FROM HEDGE ACCOUNTING

PSA Banque France Group interest rate management policy

(See the "Credit risk" and "Currency and Interest rate risks" sections of the Management Report)

Interest rate risk

The policy in terms of interest rate risk tends to be conservative and avoids any speculation. Its purpose is to control and supervise interest rate risk positions within sensitivity limits in accordance with the defined risk appetite. The management of interest rate risk consists of compliance with this policy and subjecting it to regular controls and hedging measures.

At 31 December 2019, the nominal amount of hedging swaps was €1,350 million.

Currency risk

The PSA Banque France Group does not take currency positions. The currency risk is nonexistent.

Counterparty risk

The PSA Banque France Group's exposure to counterparty risk is limited to its use of derivatives governed by standard FBF or ISDA agreements and very short term cash investments with leading counterparties. Following EMIR regulation, new CDEA framework agreements (Cleared Derivatives Execution Agreement) have been set up. Customer credit risk is discussed in Note 26.

The PSA Banque France Group limits the exposure at the minimum from the implementation of its investment policy. Available cash other than interbank loans and reserves deposited with central banks is invested solely in HQLA type investments.

ANALYSIS OF INTEREST RATE RISK HEDGING EFFECTIVENESS (FAIR VALUE HEDGE)

(in million euros)	31/12/2019	31/12/2018	Fair value adjustments	Ineffective portion recognised in profit or loss
Fair value adjustments to customer loans (Loans, Leasing with purchase option and Long-term leases)				
Loans	0,1	0,3		
Leasing with purchase option	0,1	0,4		
Long-term leases	0,1	0,3		
Total valuation, net	**0,4**	**0,9**	**(0,5)**	
Derivatives designated as hedges of customer loans				
Assets	-	-		
Liabilities (Note 10)	(4,6)	(2,9)		
Total valuation, net	**(4,6)**	**(2,9)**	**(1,7)**	**(2,2)**
Ineffective portion of gain and losses on outstanding hedging transactions	**(4,2)**	**(2,0)**		**(2,2)**
Fair value adjustments to hedged debt				
Valuation, net	-	-		
Total valuation, net	**-**	**-**	**-**	
Derivatives designated as hedges of debt				
Assets	-	-		
Liabilities (Note 10)	-	-		
Total valuation, net	**-**	**-**	**-**	**-**
Ineffective portion of gain and losses on outstanding hedging transactions	**-**	**-**		**-**
Fair value adjustments to hedged bonds				
Valuation, net	-	-		
Total valuation, net	**-**	**-**	**-**	
Derivatives designated as hedges of bonds				
Assets	-	-		
Liabilities (Note 10)	-	-		
Total valuation, net	**-**	**-**	**-**	**-**
Ineffective portion of gain and losses on outstanding hedging transactions	**-**	**-**		**-**

NOTE 24 Net income or expense of other activities

	31/12/2019			31/12/2018		
(in million euros)	**Income**	**Expenses**	**Net**	**Income**	**Expenses**	**Net**
Gains / losses on sales of used vehicles	22	-	22	17	-	17
Share of joint venture operations	-	(9)	(9)	-	(9)	(9)
Other banking operating income/expenses	-	(4)	(4)	-	(5)	(5)
Other operating income/expenses	1	(11)	(10)	5	(1)	4
TOTAL	**23**	**(24)**	**(1)**	**22**	**(15)**	**7**

NOTE 25 General operating expenses

(in million euros)	31/12/2019	31/12/2018
Personnel costs	**(66)**	**(68)**
Wages and salaries	(41)	(43)
Payroll taxes	(18)	(19)
Employee profit sharing and profit-related bonuses	(7)	(6)
Other general operating expenses	**(88)**	**(86)**
of which related companies with PSA Group	*(42)*	*(40)*
of which related companies with Santander Consumer Finance Group	*(2)*	*(2)*
TOTAL	**(154)**	**(154)**

In the 2019 financial year, the average headcount (permanent and temporary contracts) of the PSA Banque France Group was 850.1 employees. It comprised 446.8 technicians (including 44 student apprentices) and 403.3 executives.

NOTE 26 Cost of risk

The tables below present the cost of risk by customer category, as no significant loss has been incurred on other financial assets.

26.1 CHANGES IN LOANS

			Cost of risk					
(in million euros)	**Balance at 31/12/2018**	**Net new loans**	**Charges**	**Reversals**	**Credit losses**	**Recoveries on loans written off in prior periods**	**Cost of risk for the period at 31/12/2019**	**Balance at 31/12/2019**
Retail								
Stage 1 loans	6,873	998	-	-	-	-	-	7,871
Stage 2 loans	226	(47)	-	-	-	-	-	179
Guarantee deposits (lease financing)	-	-	-	-	-	-	-	-
Stage 3 loans	125	48	-	-	(27)	-	(27)	146
Total	**7,224**	**999**	**-**	**-**	**(27)**	**-**	**(27)**	**8,196**
Impairment of Stage 1 loans	(25)	-	(6)	5	-	-	(1)	(26)
Impairment of Stage 2 loans	(21)	-	(6)	8	-	-	2	(19)
Impairment of Stage 3 loans	(81)	-	(23)	5	-	-	(18)	(99)
Total impairment	**(127)**	**-**	**(35)**	**18**	**-**	**-**	**(17)**	**(144)**
Deferred items included in amortised cost	**137**	**18**			**-**	**-**	**-**	**155**
Net book value (A - see B Note 6.2)	**7,234**	**1,017**	**(35)**	**18**	**(27)**	**-**	**(44)**	**8,207**

(in million euros)	Balance at 31/12/2018	Net new loans	Cost of risk				Cost of risk for the period at 31/12/2019	Balance at 31/12/2019
			Charges	Reversals	Credit losses	Recoveries on loans written off in prior periods		
Recoveries on loans written off in prior periods						10	10	
Impairment of other customer transactions			-	-	-	-	-	
Retail cost of risk			**(35)**	**18**	**(27)**	**10**	**(34)**	
Corporate dealers								
Stage 1 loans	3,200	457	-	-	-	-	-	3,657
Stage 2 loans	443	185	-	-	-	-	-	628
Guarantee deposits	-	-	-	-	-	-	-	-
Stage 3 loans*	58	-	-	-	-		-	58
Total	**3,701**	**642**	**-**	**-**	**-**	**-**	**-**	**4,343**
Impairment of Stage 1 loans	(1)	-	(2)	2	-	-	-	(1)
Impairment of Stage 2 loans	(3)	-	(2)	-	-	-	(2)	(5)
Impairment of Stage 3 loans	(21)	-	(10)	13	-	-	3	(18)
Total impairment	**(25)**	**-**	**(14)**	**15**	**-**	**-**	**1**	**(24)**
Deferred items included in amortised cost	**1**	**2**	**-**	**-**	**-**	**-**	**-**	**3**
Net book value (B - see A Note 6.2)	**3,677**	**644**	**(14)**	**15**	**-**	**-**	**1**	**4,322**
Recoveries on loans written off in prior periods		-	-	-	-	-	-	
Impairment of other customer transactions			(1)	-	-	-	(1)	
Corporate dealers cost of risk			**(15)**	**15**	**-**	**-**	**-**	
Corporate and equivalent								
Stage 1 loans	710	118	-	-	-	-	-	828
Stage 2 loans	161	(33)	-	-	-	-	-	128
Guarantee deposits	-	-	-	-	-	-	-	-
Stage 3 loans	16	6	-	-	-	-	-	22
Total	**887**	**91**	**-**	**-**	**-**	**-**	**-**	**978**
Impairment of Stage 1 loans	(1)	-	-	1	-	-	1	-
Impairment of Stage 2 loans	(1)	-	-		-	-	-	(1)
Impairment of Stage 3 loans	(6)	-	(4)	-	-	-	(4)	(10)
Total impairment	**(8)**	**-**	**(4)**	**1**	**-**	**-**	**(3)**	**(11)**
Deferred items included in amortised cost	**23**	**4**	**-**	**-**	**-**	**-**	**-**	**28**
Net book value (C - see C Note 6.2)	**902**	**95**	**(4)**	**1**	**-**	**-**	**(3)**	**995**
Recoveries on loans written off in prior periods			-	-	-	-	-	
Impairment of other customer transactions			-	-	-	-	-	
Corporate and equivalent cost of risk			**(4)**	**1**	**-**	**-**	**(3)**	
Total loans								
Stage 1 loans	10,783	1,573	-	-	-	-	-	12,356
Stage 2 loans	830	105	-	-	-	-	-	935
Guarantee deposits	-	-	-	-	-	-	-	-
Stage 3 loans	199	54	-	-	(27)	-	(27)	226
Total	**11,812**	**1,732**	**-**	**-**	**(27)**	**-**	**(27)**	**13,517**
Impairment of Stage 1 loans	(27)	-	(9)	8	-	-	(1)	(28)
Impairment of Stage 2 loans	(25)	-	(8)	8	-	-	-	(25)
Impairment of Stage 3 loans	(108)	-	(36)	18	-	-	(-18)	(126)
Total impairment	**(160)**	**-**	**(53)**	**34**	**-**	**-**	**(19)**	**(179)**
Deferred items included in amortised cost	**161**	**24**	**-**	**-**	**-**	**-**	**-**	**186**
Net book value (A + B + C)	**11,813**	**1,757**	**(53)**	**34**	**(27)**	**-**	**(46)**	**13,524**
Recoveries on loans written off in prior periods						10	10	
Impairment of other customer transactions			(1)	-	-	-	(1)	
TOTAL COST OF RISK			**(54)**	**34**	**(27)**	**10**	**(37)**	

* *In certain cases, the PSA Banque France Group can finance vehicles bought by dealers in stage 3 so that they are not forced to stop their activities. Under IFRS 9, these receivables are considered as Purchased or Originated Credit Impaired (POCI) for €54 million end of December 2019 (€53 million end of December 2018). It has to be noted that while a financing line had been originally granted, these dealers were not in default. Furthermore, these financing are done in a dedicated limit depending on the risk associated to each dealer and under a close monitoring of Risks Department. Risk exposure is not increasing for these dealers as a new financing can only be granted in the disposal limit (thus after the refund of another financing).*

26.2 CHANGE IN COST OF RISK

(in million euros)	Retail	Corporate dealers	Corporate and equivalent	31/12/2019	31/12/2018
Stage 1 loans					
Allowances	(6)	(2)	-	(9)	(7)
Reversals	5	2	1	8	3
Stage 2 loans					
Allowances	(6)	(2)	-	(8)	(7)
Reversals	8	-	-	8	3
Stage 3 loans					
Allowances	(23)	(10)	(4)	(36)	(39)
Reversals	5	13	-	18	56
Stage 3 other customer transactions					
Allowances	-	(1)	-	(1)	-
Reversals	-	-	-	-	-
Credit losses	**(27)**	**-**	**-**	**(27)**	**(40)**
Recoveries on loans written off in prior periods	**10**	**-**	**-**	**10**	**17**
COST OF RISK	**(34)**	**-**	**(3)**	**(37)**	**(14)**

The Bank's credit management policy is described in the "Credit Risk" section of the Management Report at 31 December 2019.

26.3 IFRS 9 METHODOLOGY

The current impairment model is based on an estimate of "expected credit losses". This model is based on the risk parameters such as probability of default (PD) or loss given default (LGD). In accordance with accounting principles, the calculation of risk parameters used to estimate the expected loss takes into account both historical data on a short-term average at a given moment ("Point in Time" approach) and forward-looking data through an assessment of the risk of future deterioration of the receivables (forward looking models). The latter calculation is based on statistical models which allow current and future economic conditions to be included in the estimated expected loss (5 macroeconomic scenarios taken into account, from the most favourable to the most unfavourable).

The results are put to a number of control bodies and committees. Regular monitoring is carried out to confirm the relevance of the PSA Banque France Group impairment model and to ensure the best possible estimate of the loss at the closing date.

Depreciations are classified into 3 "stages" in accordance with the principles of the IFRS 9 standard:

- « stage 1 » contains assets without risk deterioration or with an insignificant risk deterioration since origination. Impairment of receivables in stage 1 is the amount of one-year expected losses;
- « stage 2 » contains assets with a significant risk deterioration since origination. Therefore, the amount of allocated provisions will be the amount of expected losses over the remaining term of the assets;
- « stage 3 » contains assets with an objective evidence of loss as for example non-performing loans. Impairment of these assets will aim at covering expected losses over the remaining term.

The classification by stage is based on quantitative criteria (for example the age of past due items) and qualitative criteria (for example the application of conditional default).

The main criteria showing a significant risk of credit deterioration (Stage 2) are:

- the presence of past due instalments over a short period (not exceeding the default threshold);
- the deterioration of the risk class since contract origination;
- bringing under supervision certain contracts that no longer show any objective indication of loss (such as, for example, settling a long-term outstanding amount or a period of observation after implementing certain measures to restructure receivables following financial difficulties faced by customers (application of forbearance). As part of its financing activities, the PSA Banque France Group may, in certain cases, implement measures to restructure receivables following financial difficulties faced by its customers ("forbearance"). These transactions are subject to strict rules, regularly controlled and monitored and, in all cases, considered at least as an indicator of a significant increase in credit risk. In accordance with regulations, monitoring periods are implemented for all "forbearance" type restructuring to be able to accurately monitor the level of risk of these receivables.

Contracts in default are exclusively classified as "stage 3". Default is based on:

- quantitative criteria relating to the age of past-dues;
- qualitative criteria such as bankruptcies or receiverships.

The main sensitivity factors in calculating expected credit losses (ECL) are:

- update of forward-looking scenarios;
- changes associated with the significant deterioration of credit risk, particularly in relation to changes between risk classes;
- entries and exits from non-performing status.

The breakdown of PSA Banque France Group's outstanding loans per stage is relatively stable over time. In addition, the gradual transitions between stages allow a gradual evaluation of the risk and a confirmation of the correct identification by the PSA Banque France Group of factors indicating a significant increase in risk. Transfers between stages in 2019 are presented in the table below:

(in million euros)	Stage 1	Stage 2	Stage 3	Total
Impairment stock at 31/12/2018	**27**	**25**	**108**	**160**
Transfers:				
Transfer from Stage 1 to Stage 2	(1)	8	-	7
Transfer from Stage 1 to Stage 3	-	-	18	18
Transfer from Stage 2 to Stage 3	-	(4)	16	12
Transfer from Stage 2 to Stage 1	1	(8)	-	(7)
Transfer from Stage 3 to Stage 2	-	1	(3)	(2)
Transfer from Stage 3 to Stage 1	-	-	-	-
Changes in PDs/LGDs for assets remaining in same stage	(6)	(1)	5	(2)
Methodology changes	-	-	-	
Financial assets derecognised that are not written off *	(8)	(6)	(10)	(23)
New financial assets originated	(15)	10	10	35
Write-offs: top-up provisions in the month before write-off	-	-	9	9
Write-offs: provisions on written-off assets	-	-	(27)	(28)
Impairment stock at 31/12/2019	**28**	**25**	**126**	**179**

* *These are amounts related to the amortisation of the asset and do not take into account amounts in loss (for example: end of contract, monthly amortisation of the contract).*

The main movements between Stages are:

- the transitions from stage 1 to stage 2 (impact of €8 million from 87% of the Retail portfolio) and from stage 2 to stage 3 (impact of €16 million from 88% of the Retail portfolio) are linked to the daily activity of the PSA Banque France Group. The transfers from stage 1 to 2 come mainly from a significant deterioration of the risk classes since the origination of the contracts as well as entries in past due instalment between 1 and 90 days. Transfers from Stage 2 to 3 come mainly from defaults due to past due payments;
- the transitions from Stage 1 to Stage 3 have an impact of €18 million in provisions, including €16 million related to the Retail business and €2 million related to the Corporate Fleet business. The majority of the contracts concerned went through stage 2 in 2019 before being on stage 3 on 31 December 2019;
- the accumulation of transitions from Stage 1&2 to Stage 3, i.e. €34 million, including €9 million of contract downgrading without being related to the application of the rule of contagion to the retail sector;
- the changes in the PD / LGD on the assets remaining in the same stage result from the 3 updates of the IFRS 9 interest rate parameters that took place during the financial year, which showed a decrease in the PD and an increase in the LGD, essentially on the retail portfolio;
- derecognised financial assets that are not written off consist of the amortisation of the contracts. New financial assets are composed of new production.

NOTE 27 Income taxes

27.1 EVOLUTION OF BALANCE SHEET ITEMS

(in million euros)	Balance at 31/12/2018	Income	Equity	Payment	31/12/2019
Current tax					
Assets	2				9
Liabilities	(11)				(3)
TOTAL	**(9)**	**(34)**	**-**	**49**	**6**
Deferred tax					
Assets	1				1
Liabilities	(329)				(374)
TOTAL	**(328)**	**(45)**	**-**	**-**	**(373)**

27.2 INCOME TAXES OF FULLY-CONSOLIDATED COMPANIES

Deferred income taxes relate to timing differences between the recognition of certain items of income and expense for consolidated financial reporting and tax purposes. These differences relate principally to the accounting treatment of leasing and long-term rental transactions.

Deferred taxes are determined as described in Note 2.A, last paragraph of the 2019 annual report, dedicated to deferred taxes.

In France, the standard corporate income tax rate is 33.33%.

The Social Security Financing Act (No. 99-1140) dated December 29, 1999, introduced a surtax equal to 3.3% of the corporate income tax liability of French companies. This surtax had the effect of raising the French corporate income tax rate by 1.1%.

At the end of December 2019, deferred taxes are evaluated based on the rates of the 2019 French Finance Act, and the 2020 finance law published on 28 December 2019, for the following years.

(in million euros)	31/12/2019	31/12/2018
Current tax		
Income taxes	(34)	(57)
Deferred tax		
Deferred taxes arising in the year	(45)	(46)
Unrecognised deferred tax assets and impairment losses	-	-
TOTAL	**(79)**	**(103)**

27.3 PSA BANQUE FRANCE GROUP TAX PROOF

(in million euros)	31/12/2019	31/12/2018
Pre-tax income	333	321
Permanent differences	3	2
Taxable Income	**336**	**323**
Theoretical tax	(116)	(111)
Theoretical rate	*34,43%*	*34,43%*
Deferred Taxes evaluation without exceptional contribution of 15%	40	12
of which effect of revaluation of deferred taxes assets and liabilities reversed from 1 January 2019	*40*	*12*
Special tax contribution on dividend distributed	-	-
Reclassification of the contribution on added value of incomes taxes (CVAE) as current tax (IAS12)	(3)	(4)
Other	-	-
Income taxes	**(79)**	**(103)**
Group effective tax rate	*23,4%*	*32,0%*

27.4 DEFERRED TAX ASSETS ON TAX LOSS CARRYFORWARDS

In the absence of tax loss carryforwards, there are no deferred tax assets on tax loss carryforwards.

NOTE 28 Segment information

28.1 KEY BALANCE SHEET ITEMS

FOR 2019

	Financing activities				
		End user			
(in million euros)	**Corporate dealers**	**Retail**	**Corporate and equivalent**	**Unallocated**	**Total at 31/12/2019**
Assets					
Customer loans and receivables	4,322	8,207	995	-	13,524
Cash, central banks	138	262	53	-	453
Financial assets at fair value through profit or loss	-	-	-	-	-
Loans and advances to credit institutions	30	125	824	-	979
Other assets				406	406
TOTAL ASSETS					**15,362**
Liabilities					
Refinancing*	2,824	8,665	1,039	-	12,528
Due to customers*	17	37	4	-	58
Other liabilities				1,333	1,333
Equity				1,443	1,443
TOTAL LIABILITIES					**15,362**

FOR 2018

	Financing activities				
		End user			
(in million euros)	**Corporate dealers**	**Retail**	**Corporate and equivalent**	**Unallocated**	**Total at 31/12/2018**
Assets					
Customers loans and receivables	3,677	7,234	902	-	11,813
Cash, central banks	96	188	45	-	329
Financial assets at fair value through profit or loss	-	-	1	-	1
Loans and advances to credit institutions	24	148	496	-	668
Other assets				342	342
TOTAL ASSETS					**13,153**
Liabilities					
Refinancing*	2,841	7,083	877	-	10,801
Due to customers*	18	33	4	-	55
Other liabilities				992	992
Equity				1,305	1,305
TOTAL LIABILITIES					**13,153**

* *In the segment information, “Customer ordinary accounts in credit”, “Passbook savings accounts” and “Term deposit accounts” are classified in “Refinancing”.*

28.2 KEY INCOME STATEMENT ITEMS

AT 31 DECEMBER 2019

	Financing activities					
		End user				
(in million euros)	Corporate dealers	Retail	Corporate and equivalents	Unallocated	Insurance and services	Total at 31/12/2019
Interest and similar income	74	357	39	5		475
Interest and similar expenses	(18)	(54)	(9)	3		(78)
Fees and commissions income	3	7	5	-	124	139
Fees and commissions expenses	-	-	-	-	(4)	(4)
Net gains or losses on financial instruments at fair value through profit or loss*	-	-	-	(2)		(2)
Income on other activities	2	19	2	-		23
Expenses on other activities	(2)	(1)	-	(21)		(24)
Net banking revenue	**59**	**328**	**37**	**(15)**	**120**	**529**
Credit Cost of risk	-	(34)	(3)			(37)
Net income after cost of risk	**59**	**294**	**34**	**(15)**	**120**	**492**
General operating expenses and equivalent				(159)		(159)
Operating Income	**59**	**294**	**34**	**(174)**	**120**	**333**

AT 31 DECEMBER 2018

	Financing activities					
		End user				
(in million euros)	Corporate dealers	Retail	Corporate and equivalent	Unallocated	Insurance and services	Total at 31/12/2018
Interest and similar income	59	314	36	9		418
Interest and similar expenses	(5)	(43)	(7)	(4)		(59)
Fees and commissions income	4	7	4	-	114	129
Fees and commissions expenses	-	-	-	-	(4)	(4)
Net gains or losses on financial instruments at fair value through profit or loss*	-	-	-	1		1
Income on other activities	5	15	2	-		22
Expenses on other activities	-	(1)	-	(14)		(15)
Net banking revenue	**63**	**292**	**35**	**(8)**	**110**	**492**
Credit Cost of risk	9	(21)	(2)			(14)
Net income after cost of risk	**72**	**271**	**33**	**(8)**	**110**	**478**
General operating expenses and equivalent				(156)		(156)
Operating Income	**72**	**271**	**33**	**(164)**	**110**	**322**

* *Unallocated interest revenue on customer transactions corresponds for a part to the ineffective portion of gains or losses on financial hedging instruments recognised in the income statement in accordance with IAS 39 for -€2.2 million at 31 December 2019 (compared to €2.4 million at 31 December 2018) (See Note 23). The other part corresponds to other revenue and expenses.*

NOTE 29 Auditors' fees

FOR 2019 FINANCIAL YEAR

	Mazars		PricewaterhouseCoopers audit	
Pre-tax values, in million euros	**Amount**	**%**	**Amount**	**%**
Statutory audit services	**0.40**	**95%**	**0.56**	**97%**
PSA Banque France	*0.10*		*0.24*	
Fully-consolidated companies	*0.30*		*0.32*	
Services except statutory audit services	**0.02**	**5%**	**0.02**	**3%**
PSA Banque France (1)	*0.02*		*0.02*	
Fully-consolidated companies	-		-	
TOTAL	**0.42**		**0.58**	

FOR 2018 FINANCIAL YEAR

	Mazars		PricewaterhouseCoopers audit	
Pre-tax values, in million euros	**Amount**	**%**	**Amount**	**%**
Statutory audit services	**0.41**	**92%**	**0.53**	**93%**
PSA Banque France	*0.12*		*0.22*	
Fully-consolidated companies	*0.29*		*0.31*	
Services except statutory audit services	**0.04**	**8%**	**0.04**	**7%**
PSA Banque France (1)	*0.02*		*0.02*	
Fully-consolidated companies	*0.01*		*0.01*	
TOTAL	**0.44**		**0.57**	

(1) In 2018 and 2019, these costs correspond to comfort letters established by the auditors for PSA Banque France in relation to its EMTN programme.

NOTE 30 Subsequent events

No event occurred between 31 December 2019, and the Board of Directors' meeting to review the financial statement on 25 February 2020, that could have a material impact on economic decisions made on the basis of these financial statements.

2.7 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of PSA Banque France for the year ended 31 December 2019.

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 at 31 December 2019 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 2 to the consolidated financial statements, concerning the change of accounting policies as a result of the adoption of IFRS 16 "Leases" as from 1 January 2019.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Application of IFRS 9 in the calculation of impairment of customer loans

See Notes 6 and 26 to the consolidated financial statements.

Description of risk

Assessing the existence of a risk of non-recovery and the amount of the allowance set aside requires the Bank's management to exercise judgment. This primarily takes into account potential risk indicators such as payments that are contractually past-due, a deterioration in the financial condition and outlook of borrowers affecting their ability to pay, business sectors experiencing economic stress and the viability of the customer's business model.

The new methods for assessing allowances for asset impairment introduced by IFRS 9, involve a large number of inputs to calculate expected losses. which increases the risk regarding the reliability of the data used to determine relevant assumptions and to apply the models.

The credit environment has remained relatively favourable for a long time, partly as a result of low interest rates and the relative strength of the European economy. However, even if the current level of outstandings and payment defaults remains low, there is still a significant impairment risk.

Given the material nature of the outstandings for the Bank, the significance of management's judgment and the multitude of assumptions in estimating the allowances, we deemed this to be a key audit matter.

How our audit addressed this risk

Management has put in place controls designed to ensure the reliability of the calculation of expected losses. In this context, we tested the existing controls in order to validate the relevance of the impairment losses recorded.

Accordingly, we tested the following controls:

- the monitoring and validation of the models' performance, including the revision of the documentation and independent reviews of the models;
- the entering of critical data into the source system, as well as the flow of the data between the source systems, the engine for calculating the expected loss and the financial accounts.

Regarding the impairment of individual loans, our tests concerned the controls in place for monitoring loans, regularly reviewing credit files and approving individual impairment.

Additionally, we performed tests on:

- the risk-adjusted models, including the independent calculation of certain assumptions, of which risk parameters;
- the multiple scenarios and economic variables by using our experts to assess their reasonableness;
- the consistency of the expected loss calculations compared to the standard's requirements and the quality of the data used to calculate losses.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

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

We attest that the management report includes the consolidated non-financial information statement required under article L.225-102-1 of the French Commercial Code. However, in accordance with article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of PSA Banque France by the General Meetings held on 15 March 2017 for PricewaterhouseCoopers Audit and 10 May 2005 for Mazars.

At 31 December 2019, PricewaterhouseCoopers Audit and Mazars were in the third and the fifteenth consecutive year of their engagement, respectively, of which three years since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

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

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective 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 of 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 taken by users on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;
- obtain an understanding of the internal control procedures 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain 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 Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

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 programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

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

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and La Défense, 17 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Laurent Tavernier	Matthew Brown

PSA BANQUE FRANCE FINANCIAL STATEMENTS AT 31 DECEMBER 2019

3.

3.1 MANAGEMENT REPORT AND 2019 RESULTS OF ITS OPERATIONS

3.1.1 Comments on the financial statements of the entity PSA Banque France

3.1.1.1 INCOME STATEMENT

Net banking revenue

The net banking revenue of PSA Banque France rose by €23,755 thousand from €120,747 thousand at the end of 2018 to €144,502 thousand at the end of 2019, mainly under the effect of higher dividends received from CREDIPAR, which were €114,969 thousand in 2018 and €141,374 thousand in 2019.

Interest income from credit institutions grew €7,665 thousand with the increase of loans to CREDIPAR. Income from customer transactions reduced by €895 thousand essentially due to the decrease in interest on short-term credit facilities.

Interest expenses linked to Distingo savings accounts rose by €1,984 thousand essentially due to a volume effect. Interest expenses on term accounts in credit lowered by €158 thousand, due to a rate effect. Interest expenses on bonds and other fixed-income securities increased by €4,483 thousand due to new refinancing costs (EMTN).

Cost of risk

The cost of risk stood at +€1,393 thousand compared to +€4,100 thousand in 2018 after a group of dealers, bought in the first half of 2018, ceased to be in default. Therefore, provisions recorded in 2017 have been entirely reversed during the first half of 2018.

Operating expenses

The general operating expenses have lowered by €284 thousand to €5,196 thousand in 2019.

Net income before tax

The net income before tax amounted to €140,699 thousand in 2019 compared to €119,367 thousand in 2018. This growth of €21,332 thousand is essentially due to the rise in net banking revenue following the payments of dividends.

Net Income

Net profit totalised €139,944 thousand in 2019 compared to €116,492 thousand in 2018.

3.1.1.2 BALANCE SHEET

The balance sheet total at 31 December 2019 reached €8,550 million compared to €6,732 million in 2018. This significant increase was essentially due to the term loans to CREDIPAR (€6,983 million at the end of 2019 versus €5,177 million at the end of 2018) from the various funding raised by PSA Banque France.

3.1.1.3 APPROPRIATION OF PROFIT

The General Meeting, upon a proposal by the Board of Directors, notes that the distributable net income is €475,974,835.20 consisting of net income for 2019 financial year of €139,944,310.29 plus the balance of "Prior retained earnings" in the amount of €336,030,524.91.

It decides to appropriate this profit available for distribution as follow:

- to "retained earnings": €355,665,010.38
- to shares: €120,309,824.82

A dividend of €13.29 per share shall be paid after the General Meeting is held. In accordance with the law, the General Meeting notes that a dividend of €12.83 was distributed in respect of the 2018 financial year, a dividend of €10.24 was paid in respect of 2017 financial year, and that a dividend of €7.92 was distributed in respect of the 2016 financial year.

3.1.2 Payment deadlines

The tables below show the delay of payment to suppliers and clients pursuant to Article L. 441-6-1 of the French Commercial Code. Figures are shown in thousand euros.

	Article D. 441 – I. -1°: Invoices received on which payment was delayed during the fiscal year					
(in thousand euros)	**0 day (indicative)**	**1-30 days**	**31-60 days**	**61-90 days**	**91 days or more**	**Total (1 day or more)**
(A) Payment delay tranches						
Total number of invoices affected	-					-
Total incl. VAT amount of invoices affected	-	-	-	-	-	-
Percentage of incl. VAT amount of invoices received during the year	-	-	-	-	-	-
Percentage of incl. VAT amount of invoices issued during the year						
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and receivables						
Number of excluded invoices						
Total amount of excluded invoices						
(C) Standard payment deadlines used (contractual or legal deadline - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment deadlines used for calculating payment delays	Per contractual deadlines: per vendors and within a maximum period of 45 days end of month from the invoice date, pursuant to the Law on the Modernisation of the Economy (Article L 441-6 of the French Commercial Code)					

	Article D. 441 I.-2°: invoices issued on which payment was delayed during the fiscal year					
(in thousand euros)	**0 day (indicative)**	**1-30 days**	**31-60 days**	**61-90 days**	**91 days or more**	**Total (1 day or more)**
(A) Payment delay tranches						
Total number of invoices affected	-					-
Total incl. VAT amount of invoices affected	-	-	-	-	-	-
Percentage of incl. VAT amount of invoices received during the year						
Percentage of incl. VAT amount of invoices issued during the year	-	-	-	-	-	-
(B) Invoices excluded from (A) relating to disputed or unrecognised debts and receivables						
Number of excluded invoices						
Total amount of excluded invoices						
(C) Standard payment deadlines used (contractual or legal deadline - Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Payment deadlines used for calculating payment delays	Per contractual deadlines: per customers					

With regard to invoices issued and not paid at the closing date of the financial year, banking operations are excluded from the scope of information relating to payment terms.

3.1.3 Services provided by the Statutory Auditors other than audit services

For PSA Banque France, services other than statutory audit services, correspond to the comfort letters issued within the framework of the PSA Banque France bond programme (EMTN): €15 thousand for PricewaterhouseCoopers Audit and €15 thousand for Mazars.

3.1.4 Results for the last five financial years

In accordance with the provisions of Article R. 225-102 of the French Commercial code, attached to this report is the table showing the Company's results over the last five financial years.

3.1.5 Outlook

For 2020, PSA Banque France, within the scope of its direct activity, has set the following main targets:

- to continue the strategy rolled out in 2019:
  - to maintain vigilance over the PEUGEOT and CITROËN networks, both in terms of monitoring results, and the behaviour of competing banks,
  - to perpetuate vigilance regarding the management of the credit risk;
- and to boost its results:
  - by controlling structure costs,
  - by consolidating access to capital markets,
  - by supporting the PSA Group in the B2B activity.

3.2 BALANCE SHEET AND OFF-BALANCE SHEET

(in thousand euros)

Assets	31/12/2019	31/12/2018
Loans and receivables to credit institutions (Note 3)	**7,226,053**	**5,352,150**
Loans and advances to credit institutions	7,226,053	5,352,150
Customer loans and receivables (Note 4)	**437,403**	**494,257**
Other customer loans	297,125	340,184
Ordinary accounts in debit	140,278	154,073
Equity-type investments and other securities held for long-term investment (Note 5)	**858,323**	**857,584**
Other assets (Note 6)	**18,371**	**18,828**
Accruals (Note 7)	**9,964**	**9,296**
TOTAL ASSETS	**8,550,114**	**6,732,115**

(in thousand euros)

Equity and liabilities	31/12/2019	31/12/2018
Deposits from credit institutions (Note 8)	**555,211**	**588,714**
Due to credit institutions	555,211	588,714
Due to customers (Note 9)	**2,830,302**	**2,476,879**
Debt securities (Note 10)	**3,746,694**	**2,272,911**
Other liabilities (Note 11)	**13,789**	**16,598**
Accruals (Note 12)	**15,960**	**12,630**
Provisions (Note 13)	**20**	**45**
Subordinated debt (Note 14)	**155,104**	**155,103**
Equity (Note 15)	**1,233,034**	**1,209,235**
Share premiums	593,347	593,347
Share capital	144,843	144,843
Reserves	18,869	18,869
Retained earnings	336,031	335,684
Net income	139,944	116,492
TOTAL EQUITY AND LIABILITIES	**8,550,114**	**6,732,115**

OFF-BALANCE SHEET

(in thousand euros)	**31/12/2019**	**31/12/2018**
Commitments given		
Financing commitments	**113,671**	**165,585**
Financing commitments given to customers	103,671	95,585
Financing commitments given to credit institutions (1)	10,000	70,000
Guarantees commitments	**1,855**	**1,267**
Guarantees given to customers (2)	1,241	640
Guarantees given to credit institutions (3)	614	628
Commitments received		
Financing commitments	**-**	**-**
Financing commitments received from credit institutions	-	-
Guarantees commitments	**109,784**	**274,110**
Guarantees received from credit institutions	-	131,762
Other guarantees received from customers	109,784	142,349

(1) Loans granted to CREDIPAR with a value date not reached, for €10,000 thousand at the end of December 2019.
(2) Reversal of customer guarantees by Banque PSA Finance since 2015 concerning new contracts.
(3) Guarantees given to CREDIPAR for €384 thousand, CLV for €115 thousand and Banque PSA Finance for €115 thousand.

3.3 INCOME STATEMENT

(in thousand euros)	31/12/2019	31/12/2018
Interest and similar income	**52,144**	**45,374**
Transactions with credit institutions (Note 16)	47,405	39,740
Customer transactions (Note 17)	4,739	5,634
Interest and similar expenses	**(48,243)**	**(40,835)**
Transactions with credit institutions (Note 16)	(9,143)	(7,988)
Customer transactions (Note 17)	(26,153)	(24,383)
Bonds and fixed income securities (Note 18)	(12,947)	(8,464)
Variable income securities (Note 19)	**141,374**	**114,969**
Fees and commissions – income (Note 20)	**3,271**	**3,583**
Fees and commissions – expenses (Note 20)	**(2,747)**	**(1,701)**
Other banking operating income (Note 21)	**40**	**32**
Other banking operating expenses (Note 21)	**(1,337)**	**(676)**
Net banking revenue	**144,502**	**120,747**
General operating expenses (Note 22)	**(5,196)**	**(5,480)**
Gross operating income	**139,306**	**115,267**
Cost of risk (Note 23)	**1,393**	**4,100**
Operating income	**140,699**	**119,367**
Gains or losses on fixed assets	-	-
Pre-tax income	**140,699**	**119,367**
Extraordinary result	-	(750)
Income taxes (Note 24)	(755)	(2,125)
Net income	**139,944**	**116,492**
Earnings per share (in euros)	*€15.46*	*€12.87*

3.4 NOTES TO THE FINANCIAL STATEMENTS

Summary of notes

NOTE 1 Main events of the financial year

A. PARTNERSHIP BETWEEN BANQUE PSA FINANCE AND SANTANDER CONSUMER FINANCE

2019 was the fifth year of the partnership between Banque PSA Finance and Santander Consumer Finance.

The cooperation with Santander Consumer Finance enhances the activities of PSA Banque France, thanks to more competitive offers dedicated to the Peugeot, Citroën and DS customers and dealer networks.

B. REFINANCING STRATEGY

Since 2015, PSA Banque France has received intra-group funding from Santander Consumer Finance, in addition to the funding provided by retail savings inflow from French customers, bilateral bank credit lines, monetary programmes (NEU CP and NEU MTN) and a bond issuance programme (EMTN).

In 2019, diversification of the refinancing policy continued by developing access to capital markets, in particular with the completion of two bond issues in April and June under EMTN programme for an amount of €500 million each. The outstanding amount of the monetary programmes also substantially increased in 2019 to exceed a billion euros.

NOTE 2 Accounting policies

The financial statements of PSA Banque France are prepared and presented according to the principles applicable to credit institutions in France, particularly regulation No. 2014-07 of 26 November 2014, on the accounts of companies in the banking sector, which came into force on 1 January 2015.

This regulation replaces (and repeals) all CRB, CRC and ANC accounting regulations on the individual accounts of companies in the banking sector, without modifying their provisions:

- regulations on the preparation and publication of the individual accounts (in particular CRB regulation 91-01) and;
- regulations defining the valuation and accounting rules for certain operations (particularly regulations CRB 88-02 on interest rate futures; 89-01 on currency operations; 89-07 on asset disposals or securitisation; 90-01 on securities; 90-15 on interest rate or currency swaps; and regulation CRC 2002-03 on the credit risk; etc.).

Significant accounting policies applied by the Group are described in sections A to G below.

The term “related companies” denotes all the companies in the scope of consolidation of the PSA and Santander Consumer Finance groups, to which PSA Banque France belongs.

A. FIXED ASSETS

At 31 December 2019, PSA Banque France holds no tangible or intangible fixed assets.

B. SECURITIES

In accordance with the provisions of regulation ANC No. 2014-07 Book II – Heading 3, of 26 November 2014, securities are classified according to the intention behind their ownership.

Investment securities

Investment securities include securities acquired with the intention of holding them for over six months, but without the intention of keeping them until their maturity. The shares are registered for their purchase price excluding acquisition fees. For fixed income securities, any differential between the acquisition price and the redemption price is amortised on a straight-line basis over their residual life. The book value of the securities is thus gradually adjusted to the redemption value.

When the value in use on the closing date is lower than the book value on the balance sheet, an impairment is recorded.

Latent capital gains are not recorded. Interest is entered on the income statement under the heading “Other interest income”, with accrued interest not yet due being accounted for pro rata temporis.

Equity securities and shares in related companies

If the long-term possession of the securities is considered to be useful to the bank’s activity, they are classed as equity investments. These securities are stated at cost, excluding incidental acquisition expenses.

On the balance sheet, these securities are kept at their cost price, except in the event of a long-term fall in their value in use, in which case impairments are recorded. Their value in use is ascertained by looking at several parameters, namely the amount of the net asset and the prospects of future profits and future cash-flows (dividend forecasts for years to come). Latent capital gains are not recorded.

At 31 December 2019, PSA Banque France held 100% of shares in CREDIPAR S.A., itself holding 100% of the shares in CLV. This group of companies constitutes a scope of consolidation for the financing activity of Peugeot, Citroën and DS in France, jointly held by Santander Consumer Finance and Banque PSA Finance.

C. LOANS AND ADVANCES TO CUSTOMERS

The gross value of financing granted to customers includes the principal amount lent and the accrued interest, entered under financial income on a monthly basis. Loans granted are recorded on the balance sheet at their nominal value.

In accordance with regulation ANC No. 2014-07 of 26 November 2014, commitments with maturities unpaid for over 90 days, or with proven risks of non-collection ("D grading" in the internal rating) are classed as non-performing loans.

In accordance with regulation ANC No. 2014-07 of 26 November 2014, commitments deemed irrecoverable or which have maturities unpaid for over 451 days are classified as irrecoverable non-performing loans. From this moment onwards, the acceleration is quickly pronounced and the accounting of the corresponding financial revenues is then suspended.

In the two cases above (non-performing and irrecoverable non-performing), impairments are calculated individually, taking account of any guarantees.

Following the assets quality review (AQR) carried out in 2014 by the European Central Bank, various additional indicators (country risks, sectors, risky zones, etc.) have been taken into account in order to determine impairments on a collective basis.

Following a request by the regulator, an impairment model was developed. The Company has registered a collective impairment on corporate performing loans since the end of 2014.

A non-performing loan may be restructured, due to the financial situation of the debtor. Depending on the restructuring methods chosen, the Company may record a discount.

The discount corresponds to the difference between the discounting of initially expected contractual flows and the discounting of future capital flows and of interest from the restructuring.

Independently of the aspects linked to the additional guarantees which may be requested, the following restructuring methods may be used, alone or combined:

- write-off.

  The waiver of principle or interest (due or accrued) is entered under Losses; the write-off is no longer on the asset side;
- free postponement of maturity.

  Repayment extensions (or "free" grace period) may be imposed by a debt commission (like that covered by the Neiertz law in France), which can decide a moratorium. In this case, the reduction corresponds to the discounting (at the loan rate) during the moratorium;
- reduction in interest rate.

  Interest rate reductions automatically lead to the creation of a discount. The discount corresponds to the difference between flows discounted at the new loan rate and flows discounted at the initial loan rate;
- extension of the loan term.

  Taken in isolation (without repayment postponement or reduction in rate), the extension of the loan term does not produce a discount, with the effective interest rate of the loan remaining unchanged. In this particular case, the loan is not considered to be restructured, just re-scheduled.

For its restructured loans, the Company has chosen to return to Performing Loans, in a specific sub-category (Restructured Performing Loans), until the final maturity.

This possibility is specifically provided by the regulation ANC No. 2014-07 of 26 November 2014, subject to the following conditions being met:

- immediate return to Non-performing Loans from first premier past-due instalment;
- communication in Appendix of the treatment applied to Restructured Loans (principles and method, amount);
- maintaining an impairment which is above or equal to any discounted value.

The entry under restructured performing loans is made as soon as the details of the new relationship between the Company and the client are known (free postponement of maturity, reduction in rate, etc.).

Since the existence of previous restructuring is an effective indicator of a loss event, we decided to maintain an impairment on restructured loans, equal to that on outstanding sound loans with past-due instalments.

Considering the Company maintains impairment of restructured loans above the amount of the discount, no discount is booked, in accordance with the provision in Article 2221-5 of regulation ANC 2014-07 of 26 November 2014.

If after a return to the status of performing loan for restructuring, the debtor does not respect the due dates, it is immediately transferred to non-performing loans, from the first missed instalment. After 149 days of non-payment (retail) or 451 days (corporate), it is downgraded to irrecoverable non-performing loan, following the classic procedure.

D. DERIVATIVES

Nature of the transactions

Income and expenses linked to interest rate swap operations are entered according to regulation ANC No. 2014-07 of 26 November 2014, depending on whether the contracts' purpose is to:

- maintain isolated positions;
- hedge the rates risk affecting one specific item or a homogeneous set of items;
- hedge and manage the overall rates risk;
- specifically manage a trading portfolio.

The impact of interest rate variations on the economic value of the balance sheet and the net interest margin is managed respecting the threshold set when contracting derivatives with banking counterparties. These derivatives are classified as macro hedging.

Accounting principles

Derivatives active on the closing date come under off-balance sheet commitments. Interest rates derivatives are recorded according to regulation ANC No. 2014-07 of 26 November 2014.

Amounts recorded in off-balance sheet accounts correspond to nominal commitments and represent the volume of operations and not the risks associated with them.

Macro-hedging transactions

Operations hedging fixed rate customer loans of PSA Banque France are classified as macro hedges: income and expenses are recorded prorata temporis in the income statement.

When swap options are bought, the premium paid is spread over the term of the swap from when it is put in place. If the option is not exercised, the premium is entirely placed under expenses. Options are not sold.

Micro-hedging transactions

For the PSA Banque France operations classified as micro-hedging operations, income and expenses relating to the derivatives used, originally allocated to an item or a homogenous group of items, are offset in earnings against the gains and losses relating to the hedged item.

Cash payment treatment

Fees recorded when contracts are terminated or assigned, or when they are replaced by another contract, are recognised immediately in income.

Advance on expected derivative result treatment - margin calls

For swaps with advance paid or received on future result:

- the advance paid is entered under “prepaid expenses”;
- the advance received is entered under “deferred income”.

E. FOREIGN CURRENCY TRANSACTIONS

At 31 December 2019, PSA Banque France had not registered any currency operations.

F. FEES

This was mainly commission received by PSA Banque France on current account movements.

G. INCOME TAX

In 2016, the PSA Banque France tax consolidation group was created, grouping its 100% subsidiary, CREDIPAR, as well as CLV, 100% subsidiary of CREDIPAR.

NOTE 3 Loans and receivables to credit institutions

ANALYSIS ON DEMAND AND TIME ACCOUNTS

(in thousand euros)	31/12/2019	31/12/2018
Ordinary accounts in debit	**232,310**	**161,726**
of which related companies with PSA Group (1)	-	-
Overnight loans	**-**	**5,338**
of which related companies with PSA Group (1)	-	*5,000*
of which related companies with Santander Consumer Finance Group (2)	-	*338*
Time accounts	**6,983,000**	**5,177,500**
of which related companies with PSA Group (1)	*6,983,000*	*5,177,500*
Accrued interest	**10,743**	**7,585**
of which related companies with PSA Group (1)	*10,743*	*7,585*
TOTAL	**7,226,053**	**5,352,150**

(1) CREDIPAR: loans and accrued interests of €6,983,000 thousand.

(2) Santander: this amount of €338 thousand corresponds to the collateral cash surplus deposited with the Santander clearing member for the compensation of rates derivatives since the introduction of the EMIR regulation at the start of 2017.

SCHEDULE OF TERM LOANS AT 31 DECEMBER 2019

(in thousand euros)	≤ 3 months	> 3 months and ≤ 1 year	> 1 year and ≤ 5 years	> 5 years	Total
Term loans	834,500	1,974,500	4,019,000	155,000	6,983,000

3.

NOTE 4 Customer loans and receivables

(in thousand euros)	31/12/2019	31/12/2018
Customer loans and receivables	**296,469**	**338,862**
Short-term credit facilities	233,367	272,948
of which impairment on sound loans	*(444)*	*(520)*
Equipment loans	16,694	15,257
of which impairment on sound loans	*(32)*	*(29)*
Property loans	45,360	50,656
of which impairment on sound loans	*(87)*	*(97)*
Other customer loans	-	-
of which impairment on sound loans	-	-
Non allocated values	1,049	-
Ordinary accounts in debit	**140,278**	**154,073**
of which related companies	-	-
of which impairment on sound loans	*(267)*	*(291)*
Accrued interest	**202**	**247**
Cash credit facilities	54	77
Equipment loans	15	19
Property loans	133	152
Other customer loans	-	-
Irrecoverable non-performing loans	**454**	**1,074**
Gross amount	12,682	14,563
Impairments*	(12,227)	(13,489)
TOTAL	**437,403**	**494,257**

* *Changes in the cost of risk are presented in Note 23.*

SCHEDULE OF CUSTOMER LOANS AND RECEIVABLES EXCLUDING ACCRUED INTEREST AT 31 DECEMBER 2019

(in thousand euros)	Less than 3 months	from 3 months to 1 year	from 1 year to 5 years	More than 5 years	Total
Other customer loans (excluding non allocated values and impairments on sound loans)	140,675	35,043	101,123	19,142	295,983
TOTAL	**140,675**	**35,043**	**101,123**	**19,142**	**295,983**

NOTE 5 Equity-type investments and other securities held for long-term investment

(in thousand euros)	31/12/2019	31/12/2018
Equity investment in BPI France	**3**	**3**
Shares in credit institutions	**855,425**	**855,425**
*Shares in CREDIPAR**	*855,425*	*855,425*
Certificate for the deposit guarantee fund	**2,894**	**2,156**
TOTAL	**858,323**	**857,584**

* *See Note on subsidiaries and interests.*

NOTE 6 Other assets

(in thousand euros)	31/12/2019	31/12/2018
Government and social agencies*	13,699	5,935
Taxes receivable from subsidiaries	-	9,138
of which related companies	-	*9,138*
Guarantee deposits	3,017	2,590
Other assets	1,656	1,164
Margin calls	-	-
of which related companies	-	-
TOTAL	**18,371**	**18,828**

* *This item mainly includes: the 2019 advance tax payment on investment income for clients within the framework of the DISTINGO activity (€5,170 thousand) and the Corporation Tax advance under the tax consolidation (€8,497 thousand).*

NOTE 7 Accruals – Assets

(in thousand euros)	31/12/2019	31/12/2018
Share premium of fixed income securities*	6,040	4,722
Other deferred charges on term borrowings	2,952	2,077
Deferred charges	971	1,204
Deferred income	-	-
Other	1	1,293
TOTAL	**9,964**	**9,296**

* *Issue premiums on EMTN and NEU MTN.*

NOTE 8 Deposits from credit institutions

ANALYSIS OF DEMAND AND TIME ACCOUNTS

(in thousand euros)	31/12/2019	31/12/2018
Ordinary accounts in credit	**5,173**	**11,626**
*of which related companies with PSA Group**	*5,172*	*11,621*
Accounts and time deposits	**550,000**	**577,000**
*of which related companies with PSA Group**	-	*27,000*
Accrued interest	**38**	**89**
On ordinary accounts and deposits at overnight rates	-	-
*of which related companies with PSA Group**	-	-
On time deposits	38	89
*of which related companies with PSA Group**	-	*24*
TOTAL	**555,211**	**588,714**

* *Accounts payable of CLV, CREDIPAR, BANQUE PSA FINANCE in 2019.*

SCHEDULE OF DEMAND AND TIME DEPOSITS AT 31 DECEMBER 2019

(in thousand euros)	Less than 3 months	from 3 months to 1 year	from 1 year to 5 years	More than 5 years	Total
Accounts and time deposits					
Related companies	-	-	-	-	-
Other credit institutions	-	250,000	300,000	-	**550,000**

NOTE 9 Due to customers

ANALYSIS OF DEMAND AND TIME DEPOSITS

(in thousand euros)	31/12/2019	31/12/2018
Demand deposits	**2,403,944**	**2,124,117**
Ordinary accounts payable - dealers	219,963	196,986
of which related companies	-	-
Passbook savings accounts - retail customers (1)	2,170,319	1,910,516
of which payables related to passbook accounts	*14,902*	*13,529*
Other amounts due	13,663	16,616
Time deposits	**426,358**	**352,762**
Time deposit accounts - retail customers (2)	407,952	336,149
Time deposit accounts - dealers	11,948	12,163
Guarantee deposits	40	40
Accrued interest	6,418	4,410
TOTAL	**2,830,302**	**2,476,879**

(1) Sight deposit accounts of retail customers paid to PSA Banque France as part of the DISTINGO activity.
(2) Term deposit accounts of retail customers paid to PSA Banque France as part of the DISTINGO activity.

SCHEDULE OF TERM DEPOSIT ACCOUNTS AT 31 DECEMBER 2019

(in thousand euros)	Less than 3 months	from 3 months to 1 year	from 1 year to 5 years	More than 5 years	Total
Time deposit accounts - retail customers					
Non-group companies	41,093	132,022	234,837	-	**407,952**
Time deposit accounts (PSA Banque France EVOLUTION)					
Non-group companies	950	10,998	-	-	**11,948**

NOTE 10 Debts securities

(in thousand euros)	31/12/2019	31/12/2018
Interbank instruments and money-market securities	**3,738,000**	**2,267,500**
Issue of NEU MTN/EMTN (1)	2,823,000	1,696,000
Issue of NEU CP (2)	915,000	571,500
Accrued interest	**8,694**	**5,411**
Accrued interest	8,694	5,411
TOTAL	**3,746,694**	**2,272,911**

(1) Following the implementation in 2016 of NEU MTN (formerly BMTN) and bonds (EMTN) issuance programmes, as of 31 December 2019, the value of securities issued amounted to €2,823,000 thousand.

(2) Following the introduction in 2016 of an NEU CP issuance programme (formerly certificates of deposit), as of 31 December 2019, the value of securities issued amounted to €915,000 thousand.

SCHEDULE OF DEBT SECURITIES AS OF 31 DECEMBER 2019

(in thousand euros)	Less than 3 months	from 3 months to 1 year	from 1 year to à 5 years	More than 5 years	Total
Debt securities					
Non-group companies	594,500	1,004,500	2,139,000	-	**3,738,000**

NOTE 11 Other liabilities

(in thousand euros)	31/12/2019	31/12/2018
Government and social agencies*	13,782	16,581
Other liabilities	7	5
Trade payables	-	11
TOTAL	**13,789**	**16,598**

* *This item includes tax and social security contributions relating to the DISTINGO activity to be paid to the French Treasury (€6,185 thousand). This item also includes corporation tax amounts due to subsidiaries which are members of the tax consolidation group incorporated around PSA Banque France applying consolidation rules (€7,588 thousand).*

NOTE 12 Accruals – Liabilities

(in thousand euros)	31/12/2019	31/12/2018
Other differed income [(1)]	10,031	8,056
Other deferred expenses [(2)]	5,405	3,956
of which related companies	*3,469*	*2,764*
Other	524	612
Accrued expenses on derivatives	-	6
of which related companies with SANTANDER	-	*1*
TOTAL	**15,960**	**12,630**

(1) All of the expenses on the various types of funding raised by PSA Banque France and which are therefore transferred to CREDIPAR.
(2) Notably expenses for provision of services provided by shareholders and CREDIPAR.

NOTE 13 Provisions for contingencies and losses

(in thousand euros)	31/12/2018	Allowance	Reversal resulting from utilisation	Reversal of provision now considered unnecessary	31/12/2019
Provisions for risk of execution of network commitments	45	121		(146)	20
TOTAL	**45**	**121**	**-**	**(146)**	**20**

NOTE 14 Subordinated debt

(in thousand euros)	31/12/2019	31/12/2018
Other term subordinated loans*	155,000	155,000
of which related companies with Santander Consumer Finance	*77,500*	*77,500*
of which related companies with PSA Group	*77,500*	*77,500*
Accrued	104	103
of which related companies with Santander Consumer Finance	*52*	*52*
of which related companies with PSA Group	*52*	*52*
TOTAL	**155,104**	**155,103**

* *Subordinated loans were put in place on 15 December 2017. Two subordinated loans were made, one with Santander Consumer Finance for €77,500 thousand and the other with PSA Finance Nederland, 100% subsidiary of Banque PSA Finance, for a similar amount of €77,500 thousand.*

NOTE 15 Change in equity

(in thousand euros)	Balance at 31/12/2018	2018 Income appropriation	Change in capital	2019 net income	Balance at 31/12/2019
Share capital [(1)]	144,843	-	-	-	144,843
Issue, share and merger premiums	593,347	-	-	-	593,347
Legal reserve	14,484	-	-	-	14,484
Other reserves	4,385	-	-	-	4,385
Retained earnings	335,684	347	-	-	336,031
Net income [(2)]	116,492	(116,492)	-	139,944	139,944
TOTAL	**1,209,235**	**(116,146)**	**-**	**139,944**	**1,233,034**

(1) As of 31 December 2019, the capital was made up of 9,052,658 shares with a par value of €16.

PSA Banque France is consolidated by the equity method in the consolidated accounts of Banque PSA Finance and fully consolidated in the accounts of Santander Consumer Finance.

PSA Banque France is 50% held by Banque PSA Finance and 50% by Santander Consumer Finance.

(2) The General Meeting, upon a proposal from the Board of Directors, notes that the distributable net income is €475,974,835.20, consisting of net income for the 2019 financial year of €139,944,310.29, plus the balance of "Prior retained earnings" in the amount of €336,030,524.91.

It decides to appropriate this profit available for distribution as follows:

to "retained earnings": €355,665,010.38.

to shares: €120,309,824.82.

A dividend of €13.29 per share will be paid after the General Meeting is held. In accordance with the law, the General Meeting notes that a dividend of €12.83 was paid in respect of the 2018 financial year, a dividend of €10.24 was paid in respect of the 2017 financial year, a dividend of €7.92 was paid in respect of the 2016 financial year, and a dividend of €16.58 was paid in respect of the 2015 financial year.

NOTE 16 Interest and similar income and expenses on transactions with credit institutions

(in thousand euros)	31/12/2019	31/12/2018
Income		
Interest on ordinary accounts in debit	-	1
Interest on overnight loans	-	12
of which related companies (CREDIPAR)	*-*	*12*
Interest on time deposits	42,603	36,193
of which related companies (CREDIPAR)	*42,603*	*36,193*
Net impact of the borrowings micro-hedge	-	272
Income from guarantee commitment	1	-
Other interest income	1,504	922
Income on issuing costs	3,298	2,340
of which related companies (CREDIPAR)	*3,298*	*2,340*
TOTAL	**47,405**	**39,740**
Expenses		
Interest on ordinary accounts in credit	(21)	(29)
Interest on time deposits	(1,781)	(2,021)
of which related companies (Santander Consumer Finance)	*(64)*	*(231)*
Interest on subordinated debt	(2,457)	(2,494)
of which related companies (Banque PSA Finance)	*(1,228)*	*(1,247)*
of which related companies (Santander Consumer Finance)	*(1,228)*	*(1,247)*
Other interest expenses	(4,363)	(2,872)
of which related companies (CREDIPAR)	*(1,504)*	*(922)*
of which related companies (Santander Consumer Finance)	*-*	*-*
Expenses on guarantee commitment	(32)	(57)
of which related companies (Santander Consumer Finance)	*(31)*	*(56)*
Expenses on issuing costs	(489)	(515)
of which related companies (Santander Consumer Finance)	*(34)*	*(108)*
TOTAL	**(9,143)**	**(7,988)**

NOTE 17 Interest and similar income and expenses on customer transactions

(in thousand euros)	31/12/2019	31/12/2018
income		
Interest income from customer transactions	**4,722**	**5,620**
Trade receivables	-	-
Short-term credit facilities	2,401	2,886
Equipment loans	264	296
Property loans	1,465	1,679
Other customer loans	-	4
Ordinary accounts in debit	593	756
Income from guarantee commitments	**17**	**14**
TOTAL	**4,739**	**5,634**

Expenses		
Interest on ordinary accounts	**-**	**-**
of which related companies	-	-
Interest expenses on savings accounts – retail customers (1)	**(21,272)**	**(19,288)**
Interest expenses on time accounts	**(4,877)**	**(5,035)**
of which related companies	-	-
of which non-group companies	*(4,877)*	*(5,035)*
Net interest on customer loans and receivables hedging instruments (macro hedging) (2)	**(3)**	**(59)**
of which related companies (Santander Consumer Finance)	*(1)*	*(16)*
TOTAL	**(26,153)**	**(24,383)**

(1) This item records interest on DISTINGO savings accounts.
(2) Macro hedging corresponds to the switch to variable rate of part of the customer loans.

NOTE 18 Interest and similar expenses on bonds and fixed income securities

(in thousand euros)	31/12/2019	31/12/2018
Interest expenses		
Interest expenses on debt securities*	(12,947)	(8,464)
TOTAL	**(12,947)**	**(8,464)**

* *Expenses linked to NEU MTN and EMTN issues.*

NOTE 19 Interest and similar income on variable income securities

(in thousand euros)	31/12/2019	31/12/2018
Income on shares in related companies		
Dividends received from French entities*	141,374	114,969
Other similar income	-	-
TOTAL	**141,374**	**114,969**

* *Dividends received from CREDIPAR following the General Meeting of 15 March 2019, for €141,374 thousand.*

NOTE 20 Fees and commissions

(in thousand euros)	31/12/2019	31/12/2018
Income		
From transactions with credit institutions	-	-
From customer transactions	2,970	3,194
From securities transactions	-	-
From foreign exchange transactions	-	-
From securities under management or in deposit	-	-
From securities transactions on behalf of customers	-	1
From fees on securities transactions	109	73
From means of payment	182	302
From other delivery of financial services	10	13
TOTAL	**3,271**	**3,583**
Expenses		
From transactions with credit institutions	(304)	(272)
From means of payment	(121)	(117)
From other delivery of financial services	(2,210)	(1,238)
of which related companies (SANTANDER)	*(2,103)*	*(1,059)*
From fees on securities transactions	(112)	(73)
TOTAL	**(2,747)**	**(1,701)**

* *Mainly €2,448 thousand relating to commissions received on current account movements in 2019 compared to €2,505 thousand in 2018.*

NOTE 21 Other banking operating income and expenses

(in thousand euros)	31/12/2019	31/12/2018
Other banking operating income	**40**	**32**
Other banking operating expenses*	**(1,337)**	**(676)**
TOTAL	**(1,297)**	**(644)**

* *Calls on guarantee deposits, cash and securities (FGDR scheme).*

NOTE 22 Other operating income and expenses

(in thousand euros)	31/12/2019	31/12/2018
Other structure costs	**(5,196)**	**(5,480)**
Taxes	(608)	(534)
External services provided by the Group entities	(2,038)	(1,927)
Other external services	(2,550)	(3,018)
Transport, travel	-	-
Other operating expenses	**-**	**-**
Transfer of expenses	-	-
TOTAL	**(5,196)**	**(5,480)**

NOTE 23 Cost of risk

(in thousand euros)	31/12/2019	31/12/2018
Corporate dealers		
Impairment of non-performing loans	-	-
Impairment of irrecoverable non-performing loans	(710)	(1 158)
Reversal of provisions for non-performing loans	-	-
Reversal of provisions for irrecoverable non-performing loans	1,972	5,280
Provisions on irrecoverable loans	-	-
Recoveries on written-off loans	-	-
Impairment of sound loans	(3)	(77)
Reversal of provisions for sound loans	110	52
Provisions for contingencies and losses	(121)	(191)
Reversal of provisions for contingencies and losses	146	195
TOTAL	**1,393**	**4,100**

NOTE 24 Income taxes

(in thousand euros)	31/12/2019	31/12/2018
Income taxes		
Current income tax for the financial year	(755)	(2,144)
3% tax on dividends paid	-	19
TOTAL	**(755)**	**(2,125)**

NOTE 25 Subsequent events

No event occurred between 31 December 2019, and the Board of Directors' meeting to review the financial statements on 25 February 2020, that could have a material impact on economic decisions made on the basis of these financial statements.

3.5 SUBSIDIARIES AND EQUITY INTERESTS

(in euros)	31/12/2019		31/12/2018	
Nature	**Number of shares**	**Net asset value**	**Number of shares**	**Net asset value**
Other equity-type investments				
BPI FRANCE Garantie	247	3,278	247	3,278
TOTAL		**3,278**		**3,278**

(in euros)	31/12/2019		31/12/2018	
Nature	**Number of shares**	**Net asset value**	**Number of shares**	**Net asset value**
Shares in credit institutions				
Contribution of CREDIPAR shares	6,706,251	662,641,581	6,706,251	662,641,581
Contribution of SOFIRA shares merged in CREDIPAR on 1 May 2015	7,867,090	192,783,605	7,867,090	192,783,605
TOTAL	**8,657,313***	**855,425,186**	**8,657,313***	**855,425,186**

* *After a fixed exchange ratio of around 4.03 SOFIRA shares for each CREDIPAR share.*

3.6 FINANCIAL RESULTS FOR THE LAST FIVE FINANCIAL YEARS

(Articles D1 33, D135, D148 of the decree of 23 March 1967)

(in thousand euros, unless otherwise specified)	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2016	Financial year 2015
Share capital at the end of the year					
Share capital	144,843	144,843	144,843	144,843	144,843
Number of shares issued	9,052,658	9,052,658	9,052,658	9,052,658	9,052,658
Result of operations of the past fiscal year					
Revenue before tax	6,627	5,964	4,684	3,438	7,019
Income before tax, depreciation, amortisation and provisions	139,307	114,517	186,126	287,977	6,621
Income taxes	(755)	(2,125)	2,891	(6,000)	(861)
Income after tax, depreciation, amortisation and provisions	139,944	116,492	184,441	282,204	1,634
Dividends	120,310	116,146	92,699	71,697	150,093
Result of operations per share *(in euro)*					
After tax income, but before depreciation, amortisation and provisions	15.31	12.42	20.88	31.15	0.64
After-tax Income after depreciation, amortisation and provisions	15.46	12.87	20.37	31.17	0.18
Net dividend for each share:					
> distributed dividend	13.29	12.83	10.24	7.92	17
> no tax credit (tax integration)	-	-	-	-	-
Equity (Note 15)	**1,233,034**	**1,209,235**	**1,185,442**	**1,072,699**	**940,587**
Total payroll for the period	-	-	-	-	-
Amounts paid for social benefits	-	-	-	-	-

PSA Banque France does not have direct employees. It is invoiced for expenses relating to external employees.

3.7 REPORT OF THE STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying financial statements of PSA Banque France for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

We determined that there were no key audit matters to discuss in our report.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements, with the exception of the following item.

Concerning the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in article D.441-4 of the French Commercial Code, we have the following matter to report:

As indicated in the management report, information about outstanding issued invoices does not include banking transactions, as the Company has decided that such transactions do not fall within the scope of the required information.

Report on corporate governance

We attest that the section of the Board of Directors' report relating to corporate governance sets out the information required by article L.225-37-4 of the French Commercial Code, with the exception of the following item:

PSA Banque France does not describe its diversity policy in terms criteria such as age, sex or qualifications and professional experience, which it applies to the members of the Board of Directors, as required by article L.225-37-4 6° of the French Commercial Code, as this is not provided for in the cooperation agreements between its two shareholders, Banque PSA Finance and Santander Consumer Banque. Neither does PSA Banque France describe how this policy is implemented, nor how the Company seeks a gender balance on the committee set up by General Management to provide regular assistance in carrying out its general duties or its results in terms of gender balance in the 10% most senior positions.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of PSA Banque France by the General Meetings held on 15 March 2017 for PricewaterhouseCoopers Audit and 10 May 2005 for Mazars.

At 31 December 2019, PricewaterhouseCoopers Audit and Mazars were in the third and the fifteenth consecutive year of their engagement, respectively, of which three years since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of 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 taken by users on the basis of these financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;
- obtain an understanding of the internal control procedures 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

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

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and La Défense, 17 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit	Mazars
Laurent Tavernier	Matthew Brown

Statement by the person responsible for the 2019 Annual Report

PERSON RESPONSIBLE FOR THE ANNUAL REPORT

Jean-Paul Duparc

Chief Executive Officer of PSA Banque France

STATEMENT BY THE PERSON RESPONSIBLE FOR THE ANNUAL REPORT

I hereby certify that, to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a fair view of the assets financial situation and results of PSA Banque France and all companies included in the consolidation and that the management report of this document also presents a fair review of the business development, results and financial situation of the Company and all companies included in the consolidation as well as a description of the main risks and uncertainties they are exposed to.

Drawn up in Gennevilliers, 30 April 2020

Jean-Paul Duparc

Chief Executive Officer of PSA Banque France

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PSA BANQUE FRANCE

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